Supreme Court, U.S.
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No. 87-

In the

Supreme Court of the United States

October Term, 1987

NICOLET INSTRUMENT CORPORATION,
a Wisconsin corporation,

Petitioner,

vs.

BIO-RAD LABORATORIES, INC.,
a Delaware corporation,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT AND APPENDIX

LINDQUIST & VENNUM
ROBERT J. SHERAN
(Counsel of Record)
DAVID A. ALLGEYER
STEVEN E. RAU
4200 IDS Center
80 South Eighth Street
Minneapolis, Minnesota 55402
Telephone: (612) 371-3211

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QUESTIONS PRESENTED

1. Did the Court of Appeals for the Federal Circuit impermissibly narrow the range of discretion available to a trial judge in determining the amount of prejudgment interest to be awarded in a patent infringement suit?

2. Should the Court of Appeals for the Federal Circuit have rejected Justice Stevens' view that prejudgment interest may be limited or denied where a strong challenge to the patent is present?

RULE 28.1 IDENTIFICATION OF SUBSIDIARIES (EXCEPT WHOLLY OWNED SUBSIDIARIES) OF PETITIONER

Nicolet Instrument S.A. de C.V., Mexico.

PETITION FOR WRIT OF CERTIORARI

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No. 87-

IN THE
SUPREME COURT OF THE UNITED STATES
OCTOBER TERM, 1987

NICOLET INSTRUMENT CORPORATION,
a Wisconsin corporation,

Petitioner,

v.

BIO-RAD LABORATORIES, INC.,
a Delaware corporation,

Respondent.

PETITION FOR WRIT OF CERTORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

Petitioner respectfully prays that a Writ of Certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Federal Circuit (the "CAFC"), entered in this action on December 16, 1986, petition for rehearing denied on January 20, 1987 and suggestion for rehearing *in banc* denied on February 2, 1987.

OPINIONS BELOW

The Opinion (A-1) of the panel of the CAFC below is at 807 F.2d 964 (Fed. Cir. 1986) and at 1 U.S.P.Q. 2d 1191. The Order (A-15) of the CAFC denying the petition for rehearing is unreported, as is the order denying the suggestion for rehearing *in banc*. (A-16)

The trial court's Order (A-12) governing the award of prejudgment interest is also unreported.

JURISDICTION

The decision of the CAFC in this case was entered on December 16, 1986. Orders denying Nicolet's petition for rehearing and suggestion for rehearing *in banc* were entered on January 20, 1987 and February 2, 1987, respectively. The jurisdiction of this Court is invoked pursuant to 28 U.S.C. §1254(1) and Rule 17 of this Court's rules.

CONSTITUTIONAL PROVISIONS AND STATUTES INVOLVED

Article I, Section 8 of the United States Constitution provides in pertinent part:

> The Congress shall have Power . . . (8) To Promote the progress of science and useful arts, by securing for limited times to authors and inventors, the exclusive right to their respective writings and discoveries.

35 U.S.C. §284 provides in pertinent part:

> Upon finding for the claimant, the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interests and costs as fixed by the court.
>
> When the damages are not found by a jury, the court shall assess them. In either event, the court may increase the damages up to three times the amount found or assessed.
>
> The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances.

STATEMENT OF THE CASE

This suit was filed by respondent Bio-Rad on June 22, 1981. Bio-Rad alleged Nicolet infringed U.S. Patent No. 3,319,515 (the "515 Patent"). Nicolet denied infringement, contested the validity of the patent and asserted affirmative defenses and antitrust counterclaims. Trial commenced on October 5, 1982. On December 23, 1982, the jury rendered is verdict, finding that Nicolet infringed the 515 Patent, that each of the seven claims of the 515 Patent was valid, that Nicolet had not willfully infringed that patent, that Bio-Rad had been damaged by the infringement in the amount of $3,078.000, and that Bio-Rad had not been guilty of any antitrust violations. Nicolet's posttrial motions for a new trial, judgment N.O.V. and to deny enforcement of the patent because of misuse, were all denied.

Bio-Rad's motion for prejudgment interest from the dates of infringement was denied. Postjudgment interest was awarded on the principal amount of the judgment.

Nicolet appealed to the Court of Appeals for the Federal Circuit, where the jury verdict and the judgment of the district court were affirmed. Bio-Rad cross-appealed from the denial of prejudgment interest, and CAFC vacated the district court's denial and remanded in light of this Court's decision in *General Motors Corp v. Devex Corp.*, 461 U.S. 648 (1983) *("Devex")*.

Nicolet's petition for rehearing was denied. Nicolet's petition for a writ of certiorari to the United States Supreme Court was also denied.

On remand, by judgment entered December 9, 1985, the district court awarded prejudgment interest of $161,595. Bio-Rad requested the trial court to award it the highest rate of interest for the longest peiod of time allowable under the law. The trial court denied Bio-Rad's request, relying on its findings that Bio-Rad's conduct during discovery entitled it to only nine months of prejudgment interest and that the conduct of Bio-Rad's counsel during the discovery process should be considered in determining the award of prejudgment interest. Regarding Bio-Rad's abuse of the discovery process, the district court commented:

> I really think that this court may very well have participated in a miscarriage of justice, insofar as the denial of discovery in

those areas which are claimed to have been privileged. . . . I think, had the material been available before trial, and utilized during trial — it might be that I am too far removed from the patent field to fully appreciate the niceties of patent law — but a good personal injury lawyer would have taken that plaintiff's case apart on the fraud issue. . . . All in all I think that this case is a very good example of where the admixture of privilege and percipient witness on the part of lawyers has been misused or misconstructed.

I think that the reviews of the lawyer, which have been categorized as privileged, but which would have necessarily been known to a party who must proceed in this litigation in good faith, should have been patently available to the defendant right from the start. The importance of that particular document — or not document — series of documents, as well as the manipulation that went through the negotiations between the inventor and the licensee later on, I don't think were fully explored.

(A-19-20 Transcript of April 12, 1985 hearing at 21-23.)

Bio-Rad appealed from the district court's judgment. On December 16, 1986, the CAFC vacated and remanded the district court's award of prejudgment interest. In so doing, it held that Bio-Rad's abuse of the discovery process should not have been taken into account by the district court in limiting the amount of prejudgment interest because it did not actually delay the trial. It also rejected outright Justice Stevens' reasoning in his concurring opinion in *Devex* that a strong challenge to the patent can justify a reduced award of prejudgment interest. Nicolet's petition for rehearing was denied on January 20, 1987, and Nicolet's suggestion for a rehearing *in banc* was denied on February 17, 1987.

REASONS FOR GRANTING THE WRIT

The Writ should be granted in this case because the Court of Appeals has by its decision placed unauthorized restraints on the discretion of trial courts to control prejudgment interest in patent

cases contrary to the direction of the United States Supreme Court in *General Motors Corp. v. Devex*, 461 U.S. 648 (1983).

I. THE COURT OF APPEALS FOR THE FEDERAL CIRCUIT IMPERMISSIBLY NARROWED THE RANGE OF DISCRETION AVAILABLE TO THE TRIAL COURTS IN DETERMINING THE AMOUNT OF PREJUDGMENT INTEREST TO BE AWARDED IN PATENT INFRINGEMENT SUITS.

In this case, the CAFC determined "whether the [district] court improperly limited the amount of prejudgment interest awarded to the prevailing plaintiff in a patent suit." *Bio-Rad Laboratories, Inc. v. Nicolet Instrument Corp.*, 807 F.2d 964, 965 (Fed. Cir. 1986) (A-3). It held that the district court has abused its discretion in limiting the amount of prejudgment interest based upon its finding that Bio-Rad had delayed and abused the discovery process. In so doing, the CAFC unreasonably narrowed the range of discretion accorded to district courts by this Court's decision in *General Motors Corp. v. Devex Corp.*, 461 U.S. 648 (1983) *("Devex")*.

In *General Motors Corp. v. Devex Corp.*, 461 U.S. 648 (1983), this Court held, under 35 U.S.C. §284 (1982), which provides that a party successfully establishing patent infringement is entitled to compensatory damages, that:

> prejudgment interest should ordinarily be awarded. In the typical case an award of prejudgment interest is necessary to ensure that the patent owner is placed in as good a position as he would have been had the infringer entered into a reasonable royalty agreement. An award of interest from the time that the royalty payments would have been received merely serves to make the patent owner whole, since his damages consist not only of the value of the royalty payments but also of the foregone use of the money between the time of the infringement and the date of the judgment.

Id. at 655-66.

Significantly, the Court did not

> construe §284 as requiring the award of prejudgment interest whenever infringement is found. That provision states that

> interest shall be "fixed by the court," and in our view it leaves the court some discretion in awarding prejudgment interest. For example, it may be appropriate to limit prejudgment interest, or perhaps even deny it altogether, where the patent owner has been responsible for undue delay in prosecuting the lawsuit. There may be other circumstances in which it may be appropriate not to award prejudgment interest. We need not delineate those circumstances in this case.

Id. at 656-57.

In the present case, the CAFC found that the district court's award to Bio-Rad of prejudgment interest for a nine-month period, based upon the state of California's rate of prejudgment interest of 7%, uncompounded, was an abuse of discretion. The panel reached its holding based on the factors outlined in its decision in *Radio Steel & Manufacturing Co. v. MTD Products,* 788 F.2d 1554, 1557-1558 (Fed. Cir. 1986).

In *Radio Steel,* a panel of the CAFC held that a district court's justification for limiting prejudgment interest "must have some relationship to the award of prejudgment interest." *Radio Steel & Manufacturing Co. v. MTD Products,* 788 F.2d at 1557, 1558. The CAFC engrafted this new condition on to the standard set forth in *Devex.* As a consequence, the CAFC found in the present case that Bio-Rad's dilatory action during the discovery process should not have been taken into account when determining entitlement to prejudgment interest. This was so, said the CAFC, because the actions of Bio-Rad did not actually delay the trial. *Bio-Rad Laboratories, Inc. v. Nicolet Instrument Corp.,* 807 F.2d at 968 (A-8). In short, the CAFC held that abuse and delay of the discovery process is not a matter that can be addressed by the trial court in its discretion when determining entitlement to prejudgment interest.

Taken together, the *Radio Steel* decision and the decision in this case have the practical effect of allowing a district court to exercise its discretion to limit or reduce an award of prejudgment interest only where conduct on the part of the patentee delays the trial and judgment. Under this holding, the trial court cannot inform itself as to factors relating to an award of prejudgment interest other than such possible delay. This ignores the clear language of the Court in *Devex,* which limited its holding to the proposition that prejudgment

interest should be awarded under §284 "absent some justification for withholding such an award." *Devex* 461 U.S. at 657. It further ignores this Court's recognition that there are reasons other than undue delay in prosecuting a lawsuit which could justify withholding a reduction of such an award. *Id.*

In this case the district court held that prejudgment interest should be limited because:

> (1) Bio-Rad's conduct during discovery led to unreasonable delays in bringing the case to trail and in entry of judgment; (2) but for those delays, trial of the case could have commenced in nine months, rather than in the approximately fifteen month period actually consumed from the filing of the Complaint on June 22, 1981 until commencement of trial on October 5, 1982 and judgment could therefore have been entered earlier; (3) all but nine months of the time spent by Bio-Rad in prosecuting the case prior to commencement of trial represents a period of undue delay and Bio-Rad should not be awarded prejudgment interest for that period of delay; (4) Bio-Rad's counsel engaged in dilatory actions during the discovery process, which should be taken into account when determining Bio-Rad's entitlement to prejudgment interest; and (5) based on the findings (1), (2), (3) and (4) above, the appropriate term over which prejudgment interest should be calculated is nine months and an approriate rate of interest in this case is the California State Rate of prejudgment interest, seven percent, uncompounded.

(A-12–13). Indeed, the district court found that there may have been a "miscarriage of justice," based on Bio-Rad's conduct. If a district court does not have discretion to limit prejudgment interest in this situation, it is difficult to envision any situation where the court could meaningfully exercise such discretion.

In an era where the judicial system is struggling to deal effectively with abuses of the discovery process, it would be unwise to limit trial courts' ability to consider discovery abuse in determining compensation. Trial courts should not be required to further reward a party who abused the discovery process with an award of prejudgment interest at a rate higher than equity would justify. Yet the CAFC's limitation of the discretion afforded trial courts in *Devex* requires that such a reward be given.

The CAFC's decision has implications beyond crippling the trial court's discretion to limit prejudgment interest based on discovery abuses. By holding that a district court may consider only delay in bringing a case to trial in exercising its discretion over prejudgment interst awards, the CAFC has, in fact, destroyed the trial court's discretion. The district court is allowed to engage only in making a factual determination whether a party has delayed commencement of the trial. This is not a genuine exercise of discretion, but merely applies fact-finding to a legal standard. This case provides the Court an opportunity to make it clear that the *Devex* opinion grants some measure of meaningful discretion to the trial court and permits the trial court to exert discipline over the litigation process.

II. THE COURT OF APPEALS FOR THE FEDERAL CIRCUIT IMPROPERLY REJECTED JUSTICE STEVENS' VIEW THAT PREJUDGMENT INTEREST MAY BE LIMITED OR DENIED WHERE A STRONG CHALLENGE TO THE PATENT IS PRESENT.

In *Devex*, Justice Stevens made the following observation in his concurring opinion:

> Wisely today the Court does not attempt to define precisely the category of cases in which an infringer, through ultimately unsuccessful in litigation, may have been sufficiently justified in its challenge to a particular patent to make it appropriate for the District Court to exercise its discretion to deny prejudgment interest. But the existence of that category of cases should not be overlooked.

461 U.S. at 659.

In additon to the grouds relied upon by the trial court for the limiting of prejudgment interest, Nicolet urged at the trial court and on appeal that its strong challenge to the patent justified a reduced award under Justice Stevens' reasoning in *Devex*. In support of this, it noted the many challenges to patent validity and infringement, supported by the record, which were raised at trial and on appeal.

This included evidence, for example, that: (1) before undertaking its challenge to the patent Nicolet had an opinion by competent counsel that the patent was invalid and not infringed; (2) patent

counsel from Digilab, now a division of Bio-Rad, had earlier questioned the validity of the patent and recommended that no suit be brought under the patent; and (3) and an antitrust expert had advised Bio-Rad's predecessor in interest not to undertake the cost of defense of the patent in exchange for the payment of royalties because such an arrangement would be illegal by virtue of furthering an antitrust conspiracy using a fraudulently obtained patent. In addition, Nicolet had presented expert testimony concerning invalidity and lack of infringement providing a strong, well-justified challenge to the patent. Nicolet further noted that the CAFC, in its first opinion, had dealt seriously with Nicolet's many defenses, finding none of them frivolous.

In rejecting Nicolet's position, the CAFC did not speak to the strength of Nicolet's challenge to the patent. Rather, it stated:

> Nicolet's contention that its challenges to the patent were "well justified" reflects the position of Justice Stevens in his concurring opinion in *Devex*. We implicitly rejected that position in *Radio Steel*, where we ruled that the justification for an award of prejudgment interest "must have some relationship to the award of prejudgment interest." [citation omitted]

Bio-Rad Laboratories, Inc. v. Nicolet Instrument Corp., 807 F.2d at 969 (A-10). This implicit rejection in *Radio Steel* was made explicit by the CAFC in this case as it further noted: "the merits of the infringer's challenges to the patent are immaterial in determining the amount of prejudgement interest." *Id.*

This case provides an opportunity for this Court to consider whether the CAFC's outright rejection of Justice Stevens' position was proper.

III. THE PROPER BASIS UNDER WHICH AN AWARD OF PREJUDGMENT INTEREST PURSUANT TO 35 U.S.C. §284 CAN BE LIMITED IS A SIGNIFICANT AND IMPORTANT ISSUE THAT REQUIRES RESOLUTION FOR THE PATENT LAWS TO BE EFFECTIVELY AND EQUITABLY ENFORCED.

The parameters governing a district court's discretion to limit the award of prejudgment interest is an issue of intrinsic importance concerning damage awards in patent infringement actions. The

principles governing a trial court's discretion to limit prejudment interest concern the public, other parties involved in patent infringement litigation and the parties to this litigation. Under the standards governing the issuance of a writ of certiorari, this case merits review because it involves an important and significant issue. *See, e.g., NLRB v. Pittsburg S.S. Co.,* 340 U.S. 498, 502 (1951); *U.S. v. Ruzicka,* 329 U.S. 287, 295 (1946). Resolution of this issue by this Court would provide district courts and the CAFC with guidelines concerning the justifications under which a district court may limit appropriately the award of prejudgment interest.

The problem posed by the absence of guidance from this Court with respect to appropriate limitations of prejudgment interest awards is not merely academic or episodic. *See Rice v. Sioux City Cemetery,* 349 U.S. 70, 74 (1955). This problem arises in the context of every patent infringement action that is litigated successfully by the patentee in federal district court. Consequently, resolution of the issue is important because it concerns an important and recurring problem. The issue posed by the case does not concern the typical issues raised in appeals of patent cases such as invention, breadth of claim, obviousness and noninfringement; Nicolet recognizes that this Court does not ordinarily grant a writ of certiorari in such cases. *See, e.g., General Talking Pictures Corp. v. Western Electric Co.,* 304 U.S. 175, 178 (1938); *United States v. Johnston,* 268 U.S. 220, 227 (1925); *Keller v. Adams-Campbell Co.,* 264 U.S. 314, 319 (1924). A decision by this Court would serve judicial efficiency by precluding further appeals or appealable issues concerning the limitation of an award of prejudgment interest under 35 U.S.C. §284.

CONCLUSION

The Court of Appeals for the Federal Circuit limited the discretion afforded by this Court in *Devex* so severely that district courts do not have any real discretion in determining an award of prejudgment interest. In the present case, the CAFC held, in fact, that even abuse and delay of the discovery process cannot justify a reduction of prejudgment interest unless the trial is actually delayed. This unnecessarily deprives district courts of one of the means at their disposal to deter discovery abuse. This case affords this Court an opportunity to restore the discretion afforded to the district courts by the *Devex* decision.

The CAFC rejected Justice Stevens' reasoning that prejudgment interest could be limited when a challenge to a patent was well-justified. This case presents the Court with an opportunity to determine whether it was proper to do so.

Dated: April 13, 1987

Respectfully submitted,

LINDQUIST & VENNUM

|S| Robert J. Sheran

Robert J. Sheran
(Counsel of Record)
David A. Allgeyer
Steven E. Rau
4200 IDS Center
80 South Eighth Street
Minneapolis, MN 55402
(612) 371-3211

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APPENDIX

Appeal No. 86-840

United States Court of Appeals
for the Federal Circuit

BIO-RAD LABORATORIES, INC., ETC.,
Appellant,

v.

NICOLET INSTRUMENT CORPORATION, ETC.,
Appellee.

Roger L. Cook, Townsend & Townsend, of San Francisco, California, argued for appellant. With him on the brief were *J. Georg Seka, David N. Slone* and *Robert Barr.*

Robert J. Sheran, Lindquist & Vennum, of Minneapolis, Minnesota, argued for appellee. With him on the brief was *Robert J. Sheran.*

Appealed from: U.S. District Court for the Northern District of California

Judge Burke

NOTICE TO COUNSEL

The Court today announced its decision in the attached appeal or appeals.

A copy of the Court's opinion or opinions is enclosed, and judgment thereon has been entered today as required by Rule 36, Federal Rules of Appellate Procedure.

Costs may be recovered (by *Petitioner or Respondent)* as provided by Rule 39, Federal Rules of Appellate Procedure.

If sanctions have been imposed, please make check payable to the U.S. Treasury and forward same to the opposing attorney of record.

Very Truly yours,

Francis X. Gindhart, Clerk
By: Spencer C. Mieone, Deputy Clerk

Appeal No. 86-840

United States Court of Appeals
for the Federal Circuit

BIO-RAD LABORATORIES, INC., ETC.,
Appellant,

v.

NICOLET INSTRUMENT CORPORATION, ETC.,
Appellee.

DECIDED: December 16, 1986

Before FRIEDMAN, *Circuit Judge*, and NICHOLS and BALDWIN, *Senior Circuit Judges*.*

FRIEDMAN, Circuit Judge.

The sole issue in this case, here on appeal from an order of the United States District Court for the Northern District of California, is whether the court improperly limited the amount of prejudgment interest awarded to the prevailing plaintiff in a patent suit. The award of prejudgment interest was made pursuant to our remand in the earlier appeal in this case. *Bio-Rad Laboratories, Inc. v. Nicolet Instrument Corp.*, 739 F.2d 604, 222 USPQ 654 (Fed. Cir.), *cert. denied*, 469 U.S. 1038 (1984). We vacate the district court's award of prejudgment interest and remand for further proceedings in accordance with this opinion.

I

A. In June 1980, appellant Bio-Rad Laboratories, Inc. (Bio-Rad) informed appellee Nicolet Instrument Corporation (Nicolet) that Nicolet's "MX-ECO" epitaxial thickness gauge, an electronic device that rapidly measures the crystalline surface layer on semiconductors, which Nicolet had begun selling in 1980, appeared to infringe U.S. Patent No. 3,319,515, of which Bio-Rad was the exclusive licensee. Bio-Rad demanded that Nicolet cease all infringing activities.

Nicolet denied infringement, disputed the validity of the patent, and continued its activities. The parties exchanged contentions through letters dated August 4, 1980, September 9, 1980, and October 30, 1980, but were unable to resolve the dispute.

Bio-Rad filed suit on June 22, 1981. At the first status conference, held in November 1981, a discovery schedule was established and trial was scheduled for October 4, 1982. During discovery, Bio-Rad resisted producing a number of documents — the record is ambiguous regarding the sequence of actions by counsel for the parties, the district judge, and the magistrate in charge of discovery. Although Nicolet alleges that Bio-Rad wrongfully withheld documents that were ordered produced, Nicolet did not seek and the court did not impose sanctions for Bio-Rad's conduct.

*Judge Baldwin took senior status on November 25, 1986

After a 44-day jury trial before Judge Burke, to whom the case was assigned four days before the trial began on October 5, 1982, the jury found all claims of the patent valid and infringed, and awarded Bio-Rad $3,078,000 in compensatory damages. Nicolet moved for judgment notwithstanding the verdict, alternatively for a new trial, and to deny enforcement of the patent for misuse. The trial court denied all three motions, and entered judgment on the verdict effective January 7, 1983. The court granted postjudgment but denied prejudgment interest.

In the prior appeal, we affirmed district court's judgment in all respects other than the denial of prejudgment interest. We vacated that denial and remanded to the district court "for an award of prejudgment interest or a determination that some specific justification exists for denying prejudgment interest." 739 F.2d at 618, 222 USPQ at 665.

B. On remand to the district court, Bio-Rad sought prejudgment interest at the rate of 15 percent, based on the average rate it paid on its corporate borrowings from early 1980 through the end of the trial in December 1982. At a hearing, the district court requested that Bio-Rad submit a modified calculation, using the rate that a "reasonably sound corporate borrower" would have paid during the period in question, and calculated from the date of each infringement, adjusted for the normal time lag between delivery and payment. Bio-Rad submitted the requested calculation, using the average annual prime rate, compounded annually. Bio-Rad also submitted Federal Reserve statistics and an affidavit of an expert supporting its new calculations. The revised calculation resulted in $737,074 prejudgment interest through June 28, 1985.

Nicolet apparently presented no evidence or argument regarding appropriate prejudgment interest, but instead urged the trial court to deny or reduce Bio-Rad's prejudgment interest because of Bio-Rad's recalcitrance in producing documents before and during the trial.

In a brief order, the district court awarded Bio-Rad prejudgment interest for a nine-month period, based upon "the California state rate of prejudgment interest, 7%, uncompounded," of $161,595. The court made the following findings explaining the basis for that award:

> (1) Bio-Rad's conduct during discovery led to unreasonable delays in bringing the case to trial and in entry of judgment; (2)

but for those delays, trial of the case could have commenced in nine months, rather than in the approximately 15 month period actually consumed from filing of the Complaint on June 22, 1981 until commencement of trial on October 4 [sic: 5], 1982 and judgment could therefore have been entered earlier; (3) all but 9 months of the time spent by Bio-Rad in prosecuting the case prior to commencement of trial represents a period of undue delay and Bio-Rad should not be awarded prejudgment interest for that period of delay; (4) Bio-Rad's counsel engaged in dilatory action during the discovery process, which should be taken into account when determining Bio-Rad's entitlement to prejudgment interest; and (5) based on the findings (1), (2), (3) and (4) above, the appropriate term over which prejudgment interest shall be calculated is nine months and an appropriate rate of interest in this case is the California state rate of prejudgment interest, 7%, uncompounded.

The Court recognizes the necessarily inexact nature of its finding that the case could have been brought to trial within nine months; however, this is based upon the Court's estimate that such is the speed with which such a case could have been brought to trial if prosecuted with reasonable diligence and without Bio-Rad's unreasonable delay in producing documents. The Court adopts in principle the arguments presented by Nicolet to that effect.

II

In *General Motors Corp. v. Devex Corp.*, 461 U.S. 648, 217 USPQ 1185 (1983), the Supreme Court held that in view of the requirement in 35 U.S.C. § 284 that the court "shall award" the successful plaintiff in a patent infringement suit "damages adequate to compensate for the infringement,"

> prejudgment interest should ordinarily be awarded. In the typical case an award of prejudgment interest is necessary to ensure that the patent owner is placed in as good a position as he would have been had the infringer entered into a reasonable royalty agreement. An award of interest from the time that the royalty payments would have been received merely serves to make the

> patent owner whole since his damages consist not only of the value of the royalty payments but also of the foregone use of the money between the time of the infringement and the date of the judgment.

Id., 461 U.S. at 655-56, 217 USPQ at 1188.

The Court did not, however,

> construe § 284 as requiring the award of prejudgment interest whenever infringement is found. That provision states that interest shall be "fixed by the court," and in our view it leaves the court some discretion in awarding prejudgment interest. For example, it may be appropriate to limit prejudgment interest, or perhaps even deny it altogether, where the patent owner has been responsible for undue delay in prosecuting the lawsuit. There may be other circumstances in which it may be appropriate not to award prejudgment interest. We need not delineate those circumstances in this case.

Id., 461 U.S. at 656-57, 217 USPQ at 1189.

Justice Stevens wrote a brief concurring opinion, in which no other member of the Court joined, stating that "[i]n exercising its discretion to deny [prejudgment] interest in appropriate cases, the trial court may properly take into account the nature of the patent and the strength of the defendant's challenge." *Id.*, 461 U.S. at 658, 217 USPQ at 1189.

This court, however, recently held that a district court's justification for limiting prejudgment interest "must have some relationship to the award of prejudgment interest." *Radio Steel & Mfg. Co. v. MTD Products,* 788 F.2d 1554, 1557-58, 229 USPQ 431, 434 (Fed. Cir. 1986).

A. The normal procedure under *Devex* is to award prejudgment interest from the date of infringement to the date of payment, since only such award will satisfy "Congress' overrriding purpose [in section 284] of affording patent owners complete compensation." *Devex,* 461 U.S. at 655; *see, e.g., Smith Int'l, Inc. v. Hughes Tool Co.,* 229 USPQ 81, 102-03 (C.D. Cal. 1986); *Shiley, Inc. v. Bentley Laboratories, Inc.,* 225 USPQ 1013, 1020 (C.D. Cal. 1985) (supplemental memorandum), *aff'd,* 794 F.2d 1561, 1571, 230 USPQ 112, 117 (Fed. Cir. 1986).

Nicolet apparently began selling its infringing device in 1980, and the final judgment was entered in January 1983. Prejudgment interest thus ordinarily would have been awarded for at least 30 months. The district court, however, awarded such interest for only nine months, apparently on the theory that had it not been for Bio-Rad's undue delay and dilatory tactics during discovery, the case could have been brought to trial within nine months after filing.

The question is whether the grounds upon which the district court determined to award prejudgment interest only for nine months, as set forth in its findings, justified the district court's action. We conclude that the district court's limitation of prejudgment interest to nine months cannot stand.

The district court gave two grounds for limiting the period of prejudgment interest: (1) that "all but 9 months of the time spent by Bio-Rad in prosecuting the case prior to commencement of trial represents a period of undue delay and Bio-Rad should not be awarded prejudgment interest for that period of delay," and (2) Bio-Rad's counsel "engaged in dilatory action during the discovery process," which "should be taken into account" in determining prejudgment interest.

1. The basis for the court's finding that Bio-Rad's conduct during discovery delayed the trial of the case for six months is difficult to comprehend. The trial date was set at the first status conference in November 1981 for October 4, 1982; the trial commenced on October 5, 1982, only one day after the specified date. There is no indication that, but for the behavior of Bio-Rad, the trial could or would have begun earlier. Indeed, the discovery proceedings presumably were conducted after the first status conference, since the discovery schedule was established there. The scheduled trial date was met with only one day's delay, regardless of Bio-Rad's conduct during discovery. The finding by the district court that Bio-Rad delayed the beginning of the trial by six months is clearly erroneous.

The court's finding that "all but 9 months of the time spent by Bio-Rad in prosecuting the case prior to commencement of trial represents a period of undue delay," for which Bio-Rad should not receive prejudgment interest, is puzzling for another reason. Since the court awarded prejudgment interest only for nine months, this finding implies that all of the time from Nicolet's first infringement to the filing of the complaint also constituted "undue delay" by Bio-Rad.

The record does not support that conclusion. Bio-Rad filed its complaint almost exactly one year after Nicolet delivered its first infringing device, and less than eight months after the termination of efforts by the parties to resolve the dispute through correspondence. The time it took Bio-Rad to file suit did not constitute undue delay. *Cf. Shiley,* 225 USPQ at 1020 (no undue delay justifying reduction of prejudgment interest where suit filed nine months after plaintiff notified defendant of infringement).

2. The district court's finding that there had been "dilatory action during the discovery process" by Bio-Rad's counsel, "which should be taken into account when determining Bio-Rad's entitlement to prejudgment interest," does not support the limitation of prejudgment interest to nine months. There is no evidence in the record that such "dilatory action" delayed the trial. As noted, we held in *Radio Steel,* 788 F.2d at 1558, 229 USPQ at 434, that the justification for limiting an award of prejudgment interest "must have some relationship to the award of prejudgment interest." "Dilatory action" during discovery, without resultant delay in the trial, does not justify limiting the period of prejudgment interest.

The limitation of prejudgment interest to nine months cannot be justified as a sanction for abuse of the discovery process by Bio-Rad. A district court has available other sanctions to remedy abuses of the discovery process.

In sum, the district court's limitation of prejudgment interest to nine months cannot be sustained upon the basis of the district court's findings.

B. The district court's determinations that the appropriate rate of interest was the California rate of seven percent and that the interest should not be compounded, were based upon the same findings that underlie its determination that the appropriate period for such interest was nine months. The reasoning that led us to conclude that those findings either were clearly erroneous or did not support the nine-month limitation also compels invalidation of the seven percent uncompounded rate.

The rate of prejudgment interest and whether it should be compounded or uncompounded are matters left largely to the discretion of the district court. *Paper Converting Mach. Co. v. Magna-Graphics Corp.,* 745 F.2d 11, 24, 223 USPQ 591, 600 (Fed. Cir. 1984);

Gyromat Corp. v. Champion Spark Plug Co., 735 F.2d 549, 557, 222 USPQ 4, 9–10 (Fed. Cir. 1984); *Railroad Dynamics, Inc. v. A. Stucki Co.*, 727 F.2d 1506, 1520, 220 USPQ 929, 942 (Fed. Cir. 1984); *Lam, Inc. v. Johns-Manville Corp.*, 718 F.2d 1056, 1066, 219 USPQ 670, 676 (Fed. Cir. 1983). In exercising that discretion, however, the district court must be guided by the purpose of prejudgment interest, which is "to ensure that the patent owner is placed in as good a position as he would have been had the infringer entered into a reasonable royalty agreement." *Devex*, 461 U.S. at 655,, 217 USPQ at 1188; *see Dynamics Corp. of Am. v. United States*, 766 F.2d 518, 520, 226 USPQ 622, 623 (Fed. Cir. 1985).

The district court gave no convincing reason why Bio-Rad's alleged delay in bringing the case to trial or alleged discovery improprieties warranted using a seven percent rate of uncompounded interest. Indeed, as noted, the only evidence in the record relating to the appropriate rate of interest suggests the use of either the prime rate or the rate that Bio-Rad paid on its corporate borrowings during the period of infringement.

C. Nicolet seeks to uphold the amount of prejudgment interest on the following alternative grounds:

> (1) Nicolet's challenge to the patent and its application to Nicolet's instrument was well justified; (2) Bio-Rad improperly withheld evidence and delayed production of documents essential to the proper presentation of Nicolet's case; and (3) the damages awarded in the case were unduly high....

Although a court of appeals may affirm the judgment of a district court on any ground, including grounds not relied upon by the district court, the application of that principle to this case is highly dubious. Since determining the amount of prejudgment interest lies largely within the district court's discretion, in deciding whether the district court properly exercised that discretion, we restrict our review to the stated basis upon which the district court acted and do not consider other grounds upon which the district court might have based its decision.

In any event, Nicolet's additional grounds for affirmance are unconvincing, and also constitute attempts to relitigate mattters long since laid to rest.

1. Nicolet's contention that its challenges to the patent were "well justified" reflects the position of Justice Stevens in his concurring opinion in *Devex*. We implicitly rejected that position in *Radio Steel,* where we ruled that the justification for an award of prejudgment interest "must have some relationship to the award of prejudgment interest." 788 F.2d at 1558, 229 USPQ at 434.

Moreover, since the purpose of prejudgment interest is to compensate the patentee for its "foregone use of the money [the royalty payments] between the time of the infringement and the date of the judgment," *Devex* 461 U.S. at 656, 217 USPQ at 1188, the merits of the infringer's challenges to the patent are immaterial in determining the amount of prejudgment interest. 5 D. Chisum, *Patents* § 20.03[4] at 20-172 (1986) ("It would seem that considering the strength of the case would not be appropriate if the guiding consideration is full compensation for the patent owner's loss"). Finally, Nicolet's arguments are substantially a repeat of those it made at the trial in contending that the infringement was not willful. Since the jury agreed with Nicolet on this issue, Nicolet had the benefit of avoiding an increase in the damages under 35 U.S.C. § 284 that might have resulted from a finding of willful infringement. Nicolet cannot now rely upon the alleged strength of its challenges to the patent as a basis for reducing the amount of prejudgment interest.

2. We have already discussed Nicolet's contentions regarding Bio-Rad's conduct during discovery. Nicolet sought a new trial on the basis of its allegations of Bio-Rad's abuse of discovery. The district court denied that request, and we specifically upheld that ruling in the prior appeal. 739 F.2d at 615, 222 USPQ at 662-63. In making this argument, Nicolet is seeking to relitigate issues that were settled at the trial and in the first appeal.

3. Nicolet's attempt to justify the reduction in prejudgment interest on the ground that damages were "unduly high" also involves an attempt to relitigate an issue previously settled. In the prior appeal, Nicolet argued that the damages were excessive. We discussed that contention at length and rejected it in our opinion. 739 F.2d at 615-17, 222 USPQ at 663-64. There is no reason for us to reconsider that ruling in connection with the award of prejudgment interest.

CONCLUSION

The order of the district court awarding prejudgment interest is vacated, and the case is remanded to the district court to redetermine the amount of prejudgment interest in accordance with this opinion.

VACATED and REMANDED

Appeal No. 86-840

United States Court of Appeals
for the Federal Circuit

BIO-RAD LABORATORIES, INC., ETC.,
Appeallant,

v.

NICOLET INSTRUMENT CORPORATION, ETC.,
Appellee.

BALDWIN, *Senior Circuit Judge,* concurring.

The trial court did not have the benefit of the opinion in *Radio Steel* at the time the prejudgment interest award was made. The majority's reliance on that opinion is therefore misplaced.

Civil Action No. C81-2553 LHB

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

BIO-RAD LABORATORIES, INC.,
a Delaware corporation,

Plaintiff,

v.

NICOLET INSTRUMENT CORPORATION,
a Wisconsin corporation,

Defendant.

ORDER FOR AWARD OF PREJUDGMENT INTEREST AND FINAL JUDGMENT THEREON

The plaintiff's motion for prejudgment interest having come on for hearing on September 13, 1985, and the parties having appeared and presented arguments through counsel, and the Court having considered the arguments and briefs submitted by each of the parties, as well as all other matters of record herein, the Court finds as follows: (1) Bio-Rad's conduct during discovery led to unreasonable delays in bringing the case to trial and in entry of judgment; (2) but for those delays, trial of the case could have commenced in nine months, rather than in the approximately 15 month period actually consumed from filing of the Complaint on June 22, 1981 until commencement of trial on October 4, 1982 and judgment could therefore have been entered earlier; (3) all but 9 months of the time spent by Bio-Rad in prosecuting the case prior to commencement of trial represents a period of undue delay and Bio-Rad should not be awarded prejudgment interest for that period of delay; (4) Bio-Rad's counsel engaged in dilatory action during the discovery process, which should be taken into account when determining Bio-Rad's entitlement to prejudgment interest; and (5) based on the findings (1), (2), (3) and (4) above, the appropriate term over which prejudgment interst shall be calculated

is nine months and an appropriate rate of interest in this case is the California state rate of prejudgment interest, 7%, uncompounded.

The Court recognizes the necessarily inexact nature of its finding that the case could have been brought to trial within nine months; however, this is based upon the Court's estimate that such is the speed with which such a case could have been brought to trial if prosecuted with reasonable diligence and without Bio-Rad's unreasonable delay in producing documents. The Court adopts in principle the arguments presented by Nicolet to that effect.

Accordingly, it is hereby Ordered and Adjudged:

1. That plaintiff's motion for prejudgment interest is GRANTED.

2. That plaintiff Bio-Rad Laboratories, Inc. shall recover of defendant Nicolet Instrument Corporation, as prejudgment interest, the sum of $161,595.

SO ORDERED.

Dated: December 9, 1985

Lloyd H. Burke
United States District Judge

Appeal No. 86-840

United States Court of Appeals for the Federal Circuit

BIO-RAD LABORATORIES, INC., ETC.,
Appellant,

vs.

NICOLET INSTRUMENT CORPORATION, ETC.,
Appellee.

Judgment

ON APPEAL from the United States District Court for the Northern District of California in CASE NO(S). Civil Action No. C81-2553 LHB. This CAUSE having been heard and considered, it is ORDERED AND ADJUDGED: VACATED and REMANDED.

Dated: December 16, 1986

ENTERED BY ORDER OF THE COURT
Francis X. Gindhart, Clerk

ISSUED AS A MANDATE: February 26, 1987

A True Copy.
Attest: February 26, 1987

Betty A. McKenna, Deputy Clerk

Appeal No. 86-840

United States Court of Appeals
for the Federal Circuit

BIO-RAD LABORATORIES, INC., ETC.,
Appellant,

v.

NICOLET INSTRUMENT CORPORATION, ETC.,
Appellee.

Before FRIEDMAN, Circuit Judge, NICHOLS and BALDWIN, *Senior Circuit Judges.*

ORDER

A petition for rehearing having been filed in this case,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, denied.

The suggestion for rehearing *in banc* is under consideration.

FOR THE COURT

Francis X. Gindhart, Clerk

Date: 1-20-87

cc: Mr. Robert Barr
Mr. Robert J. Sheran

Appeal No. 86-840

United States Court of Appeals
for the Federal Circuit

BIO-RAD LABORATORIES, INC., ETC.,
Appellant,

v.

NICOLET INSTRUMENT CORPORATION, ETC.,
Appellee.

ORDER

A suggestion for rehearing *in banc* having been filed in this case,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing *in banc* is declined.

FOR THE COURT

Francis X. Gindhart, Clerk

Date: 2/2/87

cc: Mr. Robert Barr
Mr. Robert J. Sheran

United States Court of Appeals
for the Federal Circuit
717 Madison Place, N.W.
Washington, D.C. 20439 Patent Case Appeals

TOWNSEND and TOWNSEND
Albert J. Hillman
Roger L. Cook
J. Georg Seka
David N. Slone
One Market Plaza
Steuart Street Tower, 20th Floor
San Francisco, California 94105
Telephone: (415) 543-9600
Attorneys for Plaintiff

Civil Action No. C81-2553 LHB

United States District Court
for the Northern District of California

BIO-RAD LABORATORIES, INC.,
a Delaware corporation,

Plaintiff,

v.

NICOLET INSTRUMENT CORPORATION,
a Wisconsin corporation,

NOTICE OF APPEAL
FROM ORDER FOR AWARD OF
PREJUDGMENT INTEREST AND
FINAL JUDGMENT THEREON

Notice is hereby given that Bio-Rad Laboratories, Inc., Plaintiff above-named, hereby appeals to the United States Court of Appeals

for the Federal Circuit from the Order for Award of Prejudgment Interest and Final Judgment Thereon dated December 9, 1985.

TOWNSEND and TOWNSEND

Dated: January 7, 1985

By Roger L. Cook
Attorneys for Plaintiff

RLC:sbl
BIORA5/0106215

PROOF OF SERVICE BY MAIL

I am a citizen of the United States and am employed in the City and County of San Francisco, State of California, am over the age of eighteen years, and am not a party to the above-entitled case. My business address is One Market Plaza, Steuart Street Tower, 20th Floor, San Francisco, California 94105. I served the foregoing NOTICE OF APPEAL FROM ORDER FOR AWARD OF PREJUDGMENT INTEREST AND FINAL JUDGMENT THEREON by depositing a true copy thereof in the United States Mail in San Francisco, California, on January 7, 1986 enclosed in a sealed envelope, with the postage thereon fully prepaid, addressed as follows:

William C. Egan III, Esq.
Glehr, Hohbach, Test,
Albritton & Herbert
Four Embarcadero Center
Suite 3400
San Francisco, CA 94111

Robert J. Sheran
Lindquist & Vennum
4200 IDS Center
80 South Eighth Street
Minneapolis, Minn. 55402

I declare under penalty of perjury that the foregoing is true and correct.

Dated: January 7, 1986.

Susan Baker-Lehne

Standpoint of opinion or discretion. Were I in the position of defense counsel, I would have said, "We have a strong case on appeal, because had our discovery not been frustrated by the district court prior to trial, we would have been able to consistently establish facts which would have shown a fraud on the patent office, and the patent would have been ruled invalid by reason of that fraud. And now, even though that discovery came belatedly, and the introduction of the evidence establishing the fraud was introduced in a fashion which covers the record, but certainly failed to influence the jury in the manner in which it could have influenced that jury, had we been able to tailor our defense with the knowledge of what the true facts were, we might not have only defeated the fraud claim — or the infringement claim, but we might have been able to get some damages on our own on the misuse counterclaim." And quite frankly, I would not have been very surprised had the jury made such a finding.

And were I a lawyer — that's a broad assumption — in the position of Nicolet, I would have emphasized the frustration of discovery by the plaintiff in the pretrial period. I really think that this court may very well have participated in a miscarriage of justice, insofar as the denial of discovery in those areas which were claimed to have been privileged.

I think had that material been available before trial, and utilized during trial — it may be that I'm too far removed from the patent field to fully appreciate the niceties of patent law — but a good personal injury lawyer would have taken that plaintiff's case apart on that fraud issue.

Mr. Cook: Your Honor the — the issue — or the so-called issue of abuse of discovery was presented in some depth in — on the appeal, and a substantial portion of both the appellant's and the appellee's briefs were devoted to it.

The Court: Well, unless I'm mistaken, the color of the discovery hearings was necessarily lost in the appellate process. That started out with transcripts from the hearings before the magistrate, which were only partially considered by this court. All in all, I think that this case is a very good example of how the admixture of privilege and percipient witness on the part of lawyers has been misused or misconstrued.

I think that the reviews of a lawyer which have been categorized as privileged, but which have necessarily been known to a party who

must proceed in his litigation in good faith, should have been patently available to the defendant right from the start. The importance of that particular document — or not "document" — series of documents, as well as the manipulation that went through the negotiations between the inventor and the licensee later on, I don't think were fully explored. And I'm not so sure that Du Pont was not handled with kid gloves in this case in such fashion as to perhaps mislead a jury. But that's over and done with.

But I do believe, however — and this is in anticipation of what I'll hear from other counsel — I think those are factors which should be considered in connection with both costs and — and interest. Again, we're getting into this area of discretion, and I don't know how much discretion I have. Meaning it in both ways, personal discretion and legal discretion.

Mr. Cook: Your Honor, I'm not sure how to bring the — the issue quite back to — to summary judgment. If your honor is disposed to granting the motion for summary judgment at this point, I will continue further. I seem to sense that you're not so disposed, and I —

The Court: Maybe you better continue anyway. Change my tentative opinion.

Mr. Cook: The issue — the issues that must be — that the infringer has to confront, as I say, are first of all, did he have a belief that he was — did he have a belief that he had a right to continue doing what he's doing, and second of all, did he have a reasonable basis for that belief?

The Court: Well, wait a minute now, we've got — we've got two —two possibilities in that — that question you've asked.

Mr. Cook: More than that.

The Court: Did he believe that he had a right to continue in the sense that his position was founded on facts

Raymond Linkerman, CSR, Official Reporter, U.S. District Court

Supreme Court, U.S.
FILED
MAY 16 1987
JOSEPH F. SPANIOL, JR.
CLERK

No. 86-1680

IN THE

Supreme Court of the United States

OCTOBER TERM, 1987

NICOLET INSTRUMENT CORPORATION,
a Wisconsin corporation,
Petitioner,

vs.

BIO-RAD LABORATORIES, INC.,
a Delaware corporation,
Respondent.

OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

TOWNSEND AND TOWNSEND
ROGER L. COOK
(Counsel of Record)
ROBERT A. BARR
One Market Plaza
Steuart Street Tower, 20th Floor
San Francisco, California 94105
Telephone: (415) 543-9600

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IN THE

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NICOLET INSTRUMENT CORPORATION,
a Wisconsin corporation,
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BIO-RAD LABORATORIES, CORPORATION,
a Delaware corporation,
Respondent.

OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

STATEMENT OF THE CASE

Respondent[1] ("Bio-Rad") deems it necessary to supplement Petitioner's ("Nicolet") statement of the case to correct inaccuracies and omissions.

After the jury rendered its verdict in this case, finding all seven claims of the '515 patent valid and infringed, Nicolet

[1] Pursuant to Rule 28.1, Respondent identifies International Plant Research Institute; Orimbio, S.A., Paris, France; and O.E.M. Systems, Tokyo, Japan as affiliates.

moved for a new trial. One of Nicolet's arguments in support of its motion was that Bio-Rad had abused the discovery process. The trial judge denied the motion. On the first appeal in this case, the Court of Appeals For The Federal Circuit affirmed the denial of the motion, stating:

> The disputed evidence was discovered during trial and the documents were entered as evidence in the case. The record indicates Nicolet had an adequate opportunity to examine witnesses necessary to explain the significance of these documents and to present arguments regarding their importance on the validity issues. *Bio-Rad Laboratories, Inc.* v. *Nicolet Instrument Corporation*, 739 F.2d. 604, 615 (Fed.Cir. 1984) ("*Bio-Rad I*").

The Federal Circuit affirmed the verdict and judgment, but vacated the District Court's denial of prejudgment interest and remanded the case to the District Court for "an award of prejudgment interest or a determination that some specific justification exists for prejudgment interest." 739 F.2d at 618.

Nicolet claims that, on remand, Bio-Rad requested "the highest rate of interest for the longest period of time allowable under the law". (Petition p.3). This is inaccurate. Bio-Rad initially requested interest at a 15% flat rate, and offered the court two additional calculations, utilizing (1) the corporate bond rate and (2) the prime rate. All three calculations resulted in approximately $750,000.00 interest. (Bio-Rad's Memorandum in Support of Motion to Award Prejudgment Interest, pp. 3-6 App 6-11). Bio-Rad expressly indicated to the court that its actual borrowing rate during the period in question was even higher (approximately 1% over the prime rate, resulting in over $900,000.00 interest), but offered to accept any of the other, more objective measures of interest rates (Bio-Rad's Memorandum in Support of Motion to Award Prejudgment Interest, pp. 20-22 App 12-15). The court requested a revised calculation based on the average corporate borrowing rate, calculated from the date of each infringement, adjusted for the customary time lag between delivery and payment. (Transcript of April 12, 1985 hearing, 82:6-12 App

1-2). In response, Bio-Rad submitted a calculation based on the average annual prime rate, supported by evidence that this was the best indication of what the average corporate borrower paid. (Bio-Rad's Supplemental Memorandum in Support of Motion to Award Prejudgment Interest App 16-20). Nicolet did not dispute or rebut this evidence. The revised calculation incorporated a 60 day time lag between delivery and payment, and resulted in less interest than any of the initial calculations ($737,074.00, as of a later date).

The District Court acknowledged the impropriety of using prejudgment interest as a postjudgment penalty or as sanctions. (Transcript of September 13, 1985 hearing, 7:14, 11:20 App 3-5). Nevertheless, and despite the uncontested evidence that: (1) the infringement had commenced 5 years earlier; and (2) interest rates averaged over 15% during the relevant period, the court awarded prejudgment interest for only nine months at the rate of 7%, for a total of $161,595. The court based its decision on two grounds: (1) that Bio-Rad had unduly delayed the commencement of the trial, and (2) that Bio-Rad had engaged in dilatory action during discovery.

On appeal, the Federal Circuit noted that the record is ambiguous regarding the sequence of actions relied on by Nicolet to support its allegations of abuse of discovery, but the court did not review the finding that Bio-Rad had engaged in dilatory action during discovery. Instead, the court assumed *arguendo* that the finding was correct, and ruled that such a finding cannot, by itself, justify limiting prejudgment interest. Specifically, the Federal Circuit reversed the District Court for abuse of discretion because (1) the finding that Bio-Rad had delayed the trial was clearly erroneous, because the trial was not delayed, and (2) the alleged dilatory action during discovery, without resultant delay in the trial, does not justify limiting the period or the rate of prejudgment interest. *Bio-Rad Laboratories, Inc.* v. *Nicolet Instrument Corp.*, 807 F.2d 964 (Fed.Cir. 1986) ("*Bio-Rad 2*").

In its opinion, the Federal Circuit did point out that the District Court had denied Nicolet's motion for a new trial based

on these allegations of abuse of discovery, and that it had upheld that ruling in the prior appeal. Bio-Rad emphatically denies that it abused discovery.

I.

THE COURT OF APPEALS FOR THE FEDERAL CIRCUIT CORRECTLY APPLIED THIS COURT'S DECISION REGARDING PREJUDGMENT INTEREST TO THE FACTS OF THIS CASE

In this case, the Federal Circuit held that the District Court had abused its discretion by limiting prejudgment interest as a sanction for alleged abuse of the discovery process by Bio-Rad, the prevailing plaintiff in a patent infringement case.[2] 807 F.2d at 968. Certiorari should not be granted because the Federal Circuit's holding is perfectly consistent with this Court's opinion in *General Motors Corp.* v. *Devex Corp.*, 461 U.S. 648 (1983) ("*Devex*").

In *Devex*, this Court considered the standard governing the award of prejudgment interest in patent infringement cases under 35 U.S.C. § 284 and rejected the punitive view of the purpose of prejudgment interest. The Court analyzed the legislative history and the language of 35 U.S.C § 284 and ascertained the "overriding purpose" of Congress to afford patent owners complete compensation for patent infringement. 461 U.S. at 655. Rejecting the "*Duplate*" standard, under which prejudgment interest could not be awarded (where damages were unliquidated) absent bad faith or other exceptional circumstances, the Court ruled that prejudgment interest should ordinarily be awarded to afford the plaintiff full compensation for the infringement. The District Court has some discretion; it may, for example, limit prejudgment interest in cases where the patent owner has unduly delayed prosecuting the lawsuit. The Court indicated that there *may* be other

[2] The Federal Circuit also found that the District Court had abused its discretion by relying on a clearly erroneous finding of fact that Bio-Rad's conduct during discovery had delayed the commencement of the trial. (The scheduled trial date was met with only one day's delay.) 807 F.2d at 968. Nicolet does not raise this issue in its petition for certiorari.

circumstances in which it *may* be appropriate to limit or deny prejudgment interest, but declined to delineate those circumstances. The Court held only that prejudgment interest should be awarded absent some justification for withholding an award. 461 U.S. at 657.

Since *Devex,* the Federal Circuit has overseen the effective application of the law of prejudgment interest under 35 U.S.C. § 284 by the District Courts. The Federal Circuit acknowledged the compensatory purpose of prejudgment interest in reversing an award of interest on the punitive portion of the damage award. *Lam, Inc.* v. *Johns-Manville Corp.,* 718 F.2d 1056, 1066 (Fed. Cir. 1983). In *Radio Steel & Mfg. Co.* v. *MTD Products,* 788 F.2d. 1554 (Fed. Cir. 1986), the Federal Circuit upheld the District Court's ruling that the patent holder's failure to remove patent markings from its products after the expiration of the patent did not justify limiting prejudgment interest. The Federal Circuit reasoned that, under *Devex,* a justification for limiting prejudgment interest "must have some relationship to the award of prejudgment interest". 788 F.2d at 1558. The Federal Circuit then applied that reasoning to the facts of the present case to hold that alleged dilatory action during discovery, without resultant delay in the trial, does not justify limiting prejudgment interest.

Nicolet contends that the Federal Circuit has "unreasonably narrowed" the discretion of the District Court. Nicolet claims that the Federal Circuit has "engrafted" a new condition onto the *Devex* standard, and that the Federal Circuit has limited the District Court's discretion to cases where the patentee delays the trial. (Petition, p.6) This is a distorted reading of the Federal Circuit's opinion. The opinion is consistent with *Devex* and, like *Devex,* it leaves open the possibility that there may be other justifications for limiting prejudgment interest.

The Federal Circuit's interpretation of 35 U.S.C. § 284 and its application to specific cases is totally consistent with this Court's opinion in *Devex.* Congress did not intend for prejudgment interest to be used to punish either party for conduct unrelated to full compensation for patent infringement. This

Court recognized this in *Devex*, accepting the view of prejudgment interest as "delay damages". 461 U.S. at 655, note 10. It follows from this view that prejudgment interest can be limited, or even denied altogether, where the plaintiff has been responsible for his own delay damages.[3] It does not follow that prejudgment interest can be limited as a punishment for conduct unrelated to the award of prejudgment interest.[4] This is particularly clear where, as here, there are other remedies available for the alleged misconduct.[5]

Furthermore, the Federal Circuit has not foreclosed the possibility that there may be other circumstances (other than delay in prosecution) in which it may be appropriate to limit prejudgment interest. It has only determined that abuse of discovery which does not contribute to the plaintiff's delay damages is not one of those circumstances. Although Nicolet finds it "difficult to envision" a situation where the court can exercise its discretion to limit prejudgment interest, (Petition, p.7), there is no need to do so in this case. It is only necessary to determine, as did the Federal Circuit, that this is not such a situation.

Even if abuse of discovery, without delay in the trial, can ever justify limiting prejudgment interest, it would not be appropriate to limit interest under the circumstances of this case. The Federal Circuit found the record ambiguous regarding Nicolet's allegations that Bio-Rad wrongfully withheld documents. 807 F.2d at 966. Moreover, Nicolet had sought a new trial on the basis of its allegations of abuse of discovery, and the District Court denied that request. The Federal Circuit specifically upheld that ruling in the first appeal. The Federal

---

[3] As Professor Chisum notes, "A fact such as delay by the patent owner logically relates to measuring loss under the ancient principle of 'volunti non fit injuria' ". Chisum, *Patents*, p. 20-172.

[4] The implication of Nicolet's reasoning is evident from Nicolet's proposal that prejudgment interest be used "to exert discipline over the litigation process". This kind of punitive use of prejudgment interest was rejected in Devex, and has not been reestablished by Congress.

[5] Other remedies available for abuse of discovery include: sanctions under F.R.C.P. 11 or 37, a mistrial, or a suspension of the trial, none of which were sought by Nicolet; Nicolet did make a motion for judgment NOV or a new trial, and this motion was denied.

Circuit thus accurately characterized Nicolet's argument as an attempt to relitigate issues that have already been settled. 807 F.2d at 970.

II.

THIS IS NOT AN APPROPRIATE CASE FOR RECONSIDERATION OF THE VIEW THAT PREJUDGMENT INTEREST MAY BE LIMITED WHERE A STRONG CHALLENGE TO THE PATENT IS PRESENT

Nicolet contends that this is an appropriate case for this Court to consider the applicability of Justice Stevens' concurring opinion in *Devex*. (Petition, p.8-9) In that opinion, Justice Stevens proposed that "the trial court may properly take into account the nature of the patent and the strength of the defendant's challenge." 461 U.S. at 658. This is not an appropriate case for reconsideration of this view because (1) neither the trial court nor the appellate court relied on that view and (2) the "strong challenge" reasoning is not applicable to the facts of this case.

In its opinion in the present case, the District Court did not refer to, or in any way rely on, the nature of the patent, or the strength of Nicolet's challenge to the patent, as justification for limiting prejudgment interest. On review, the Federal Circuit acknowledged this and explicitly restricted its review to the District Court's stated reasons. 807 F. 2d at 969. The Federal Circuit did, in dicta, note that it had "implicitly rejected" this view in *Radio Steel,* when it ruled that the justification for limiting prejudgment interest must have some relationship to the award of prejudgment interest. The Federal Circuit further noted that the arguments made by Nicolet regarding its "strong challenge" are substantially a repeat of those it made in contending that its infringement was not willful, and that Nicolet should not benefit twice from those arguments.

Despite this dicta, this is not an appropriate case for examining the question of whether the "strength of the challenge" can be a basis for limiting prejudgment interest. The District Court did not take into account the strength of the challenge and it did not make any findings with regard to that issue. Furthermore, Nicolet's attempt to equate its "many challenges to patent validity and infringement" (Petition, p.8) to a "strong challenge" is unconvincing when this case is compared to *Devex*. In *Devex*, the District Court found the patent invalid, then the Circuit Court reversed. Then a different District Court found that there had been no infringement, and another Circuit Court reversed. After the second remand, the District Court entered judgment for the plaintiff and awarded prejudgment interest. The Circuit Court and the Supreme Court affirmed. By comparison, in the present case, Nicolet challenged validity and infringement (1) in a pretrial motion for summary judgment, (2) in a jury trial, (3) in post trial motions, and (4) on appeal to the Federal Circuit, and lost its challenge on each occasion. Nicolet has not succeeded in obtaining one single ruling or verdict that even one of the seven patent claims was invalid or not infringed. Although Nicolet raised an array of challenges to validity (anticipation, obviousness, incorrect inventor, failure to disclose the best mode, and inoperative disclosure) and infringement (on two theories), the Federal Circuit disposed of all of them in five pages. *Bio-Rad I*, supra, 739 F.2d at 610-614. The fact that the Federal Circuit "dealt seriously" with Nicolet's many defenses, "finding none of them frivolous" (Petition, p.9), does not equate to a "strong, well-justified challenge" to the patent.

This case is therefore not an appropriate case to consider whether the strength of the challenge to the patent can be taken into account by the District Court in determining prejudgment interest because (1) the District Court did not take this factor into account, (2) the Federal Circuit's reversal of the District Court was not based on this factor, and (3) even if this view is accepted by the Court, it would have no application to the present case.

III.

THE ISSUE RAISED BY THIS CASE DOES NOT MERIT A GRANT OF CERTIORARI

The standard governing the award of prejudgment interest in a patent infringement suit is a significant issue. However, there is no purpose to be served by reconsideration of this issue by this Court in the context of the present case. As recently as 1983, in the *Devex* case, this Court considered this issue and provided its interpretation of the intent of Congress in enacting 35 U.S.C. § 284. The guidance provided by the Court at that time has contributed to the effective enforcement of the patent laws and to the full compensation of patent holders for acts of infringement. The present case involves a routine application of the *Devex* decision. The Federal Circuit applied this Court's reasoning to rule that prejudgment interest cannot be limited as a punishment for alleged discovery abuses. Any other decision would have been a return to the pre-*Devex* view of prejudgment interest as punitive, rather than compensatory, and would be in conflict with *Devex*.

CONCLUSION

For the reasons stated above, Bio-Rad respectfully requests this Court to deny the petition for certiorari.

Respectfully submitted,

TOWNSEND and TOWNSEND

ROGER L. COOK
(Counsel of Record)
ROBERT A. BARR
One Market Plaza
Steuart Street Tower
20th Floor
San Francisco, CA 94105

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IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

BEFORE: THE HONORABLE LLOYD H. BURKE, JUDGE

BIO-RAD LABORATORIES, INC., a Delaware corporation, *Plaintiff,* vs. NICOLET INSTRUMENT CORPORATION, a Wisconsin corporation, *Defendant.*	**C-84-5002 LHB SAN FRANCISCO, CA APRIL 12, 1985**

TRANSCRIPT OF PROCEEDINGS

MR. COOK: There's no need to cut it that fine.

MR. ALLGEYER: Well, your Honor, I certainly am willing to abide by the court's opinions, and so forth, and —

THE COURT: Don't have much choice,

MR. ALLGEYER: That's true. And I take it —

THE COURT: Well, I think that Mr. Cook can anticipate the ruling. You get what a reasonably sound borrower would have had to pay under the circumstances, at the particular time of the various sales — or rather, the payment made on the various sales. You apply whatever rate you think is reasonable, in the light of what I've said. Either the interbank plus, the prime rate flat, or something between or akin to. Then you — he can do your work for you.

MR. ALLGEYER: Okay.

MR. COOK: Thank you, your Honor.

MR. ALLGEYER: Thank you, your Honor.

THE COURT: Ought to do something for your money, Mr. Cook.

All right, will you submit the order, Mr. Cook?

MR. COOK: Sure.

THE COURT: He's got an office here. You don't.

You have no idea when you'll be back for further consideration of your argument?

MR. COOK: We've noticed it for May 30th, but I will confess that I didn't check with your office before we did it.

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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

BEFORE: THE HONORABLE LLOYD H. BURKE, JUDGE

BIO-RAD LABORATORIES, INC., a Delaware corporation, *Plaintiff,* vs. NICOLET INSTRUMENT CORPORATION, a Wisconsin corporation, *Defendant*	**CIVIL ACTION NO. C-81-2553-LHB**

REPORTER'S TRANSCRIPT

September 13, 1985

Reported by
MARIE WILLIAMS

Without having to pay interest on interest with no consideration given to the fact that the pretrial delay of Bio-Rad Producing was what might be called delay constituting abuse of the discovery process, or resistance to discovery process.

Some of the briefs are a little heated. I would hope that they can be disposed of in a dispationate fashion. My office demand that I hear what you have to say. At any rate, go along with your theory. It should be considered as pre-trail evidence and should be considered, but not for the purpose of changing the verdict or determining what would otherwise would be the appropriate amount of interest. Quite obviously the denial of pre-judgment interest is, in a sense, a penalty that cannot be imposed. I don't know what alternative to give something to which they are not entitled, although they may submit it.

MR. SHERAN: If the court please, in light of the court's comments, I am going to limit my argument to one of four points which I intended to articulate orally today.

This court has discretion to allow, or disallow, pre-judgment interest, then if it allows it to determine the rate, whether simple or compounded.

THE COURT: If I don't I'm going to find out.

MR. SHERAN: I'll pass over that.

* * *

Different sort of treatment than if abuse of the discovery process involves something tangential or not important.

THE COURT: I think you are right at the heart of my dilema. Where does consideration of the period of delay come into appropriate discussion?

If you say it caused the loss of the case, and there shouldn't be any interest, you are imposing sanctions. We should consider it in the light of its prospective use to the disadvantage of the foot dragging litigant and use it as an explanation for why resistance to discovery occurred. I think that's an appropriate means by which the court might determine whether or not that that period should be excluded from consideration for it.

MR. SHERAN: In this—

THE COURT: I am not articulating myself—my ideas very well, but I hope you get the idea.

MR. SHERAN: I do, if the court please.

THE COURT: Not attributed to sanctions, but something attributed to foot dragging.

MR. SHERAN: I do, if the court please.

And it behooves me to try to present in as short a period of time as I can (because I think of the strains on the court's time on this particular day).

TOWNSEND and TOWNSEND
Albert J. Hillman
Roger L. Cook
J. Georg Seka
David N. Slone
One Market Plaza
Steuart Street Tower, 20th Floor
San Francisco, California 94105
Telephone: (415) 543-9600

Attorneys for Plaintiff

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

BIO-RAD LABORATORIES, INC.,
a Delaware corporation,

Plaintiff,

v.

NICOLET INSTRUMENT CORPORATION,
a Wisconsin corporation,
Defendant

CIVIL ACTION NO. C81 2553 LHB
BIO-RAD'S MEMORANDUM IN SUPPORT OF MOTION TO AWARD PREJUDGMENT INTEREST UNDER 35 U.S.C. § 284
Date: May 10, 1985
Time: 9:30 A.M.

B. Bio-Rad's Claim For Prejudgment Interest

Bio-Rad's prejudgment interest calculation is set out in Schedule A, following this page. The manner and basis for the calculation is set forth in paragraphs II.B.1-2, *infra*.

1. Bio-Rad Has Selected 15% As The Rate of Prejudgment Interest

At trial, the only evidence bearing on what might be an appropriate rate of prejudgment interest was the testimony of Bio-Rad's controller Peter Leigh who stated that, on the average, from early 1980 through 1982, Bio-Rad paid 15% interest on its corporate borrowings (TR 1912-13, attached as Ex. F). Mr. Leigh characterized this as a "conservative estimate," based upon the facts that: (a) During the period in question, Bio-Rad borrowed money from banks at a rate of interest generally linked to the prime lending rate (the "prime rate"), which fluctuated between 11% and 21%; and (b) In August 1980, Bio-Rad also borrowed money by issuing corporate bonds, on which the coupon rate is 15% (Ex. F).

The following chart (based on statistics published in Federal Reserve Bank reports) sets forth the average Long Term Corporate Bond Rate and bank lending Prime Rate which have prevailed in the marketplace for each of the past five years. This chart demonstrates that Mr. Leigh's testimony as to rates of interest paid by Bio-Rad is consistent with commercial rates of interest which actually prevailed in the marketplace during the period in question.

CASE A: 15% FLAT

NICOLET PREJUDGMENT INTEREST

For Period 1980—1985

	1980	1981	1982	Pre-Judgment 1983	Post-Judgment 1983	1984	1985
Cumulative Damages	$ 0.00	$ 372,065.95	$1,623,560.46	$3,078,000.02	$ 0.00(3)	$ 0.00	$ 0.00
Cumulative Interest	$ 0.00	$ 16,360.71	$ 168,486.80	$ 546,376.85	$556,803.14	$638,721.85	$734,530.13
Total Beginning Balance	$ 0.00	$ 388,426.66	$1,792,047.26	$3,624,376.87	$556,803.14	$638,721.85	$734,530.13
Damages for Year	$372,065.95	$1,251,494.51	$1,454,439.56	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Total Ending Balance	$372,065.95	$1,639,921.17	$3,246,486.82	$3,624,376.87	$556,803.14	$638,721.85	$734,530.13
Average Outstanding Balance(1)	$186,032.98	$1,014,173.91	$2,519,267.04	$3,624,376.87	$556,803.14	$638,721.85	$734,530.13
Days Outstanding	214(4)	365	365	7(3)	358	365	90(5)
Interest Rate(6)	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
Interest for the year(2)	$ 16,360.71	$ 152,126.09	$ 377,890.06	$ 10,426.29	$ 81,918.71	$ 95,808.28	$ 27,167.55
Total Interest Owed to Bio-Rad Laboratories							$761,697.68

(1) Average Outstanding Balance = (Beginning Balance + Ending Balance) / 2
(2) Interest for the Year = Average Outstanding Balance × (Interest Rate/100) × (Days Outstanding/365)
(3) The effective date of the judgment (1/7/83) marks the end of the time when prejudgment interest runs on the principal amount of the judgment ($3,078,000). Therefore, this amount is deducted from the principal as of 1/7/83.
(4) Interest is calculated from 6/1/80 when the first deliveries occurred.
(5) Interest is calculated through 3/31/85. Additional interest accrues at the rate of $ per day thereafter.
(6) Interest Rate = Assumed 15%

CASE B: CORPORATE BOND RATE

NICOLET PREJUDGMENT INTEREST

For Period 1980—1985

	1980	1981	1982	Pre-Judgment 1983	Post-Judgment 1983	1984	1985
Cumulative damages	$ 0	$ 372,066	$1,623,560	$3,078,000	$ 0	$ 0	$ 0
Cumulative interest	$ 0	$ 13,907	$ 166,272	$ 542,319	$551,192	$620,284	$703,960
Total beginning balance	$ 0	$ 385,973	$1,789,832	$3,620,319	$551,192	$620,284	$703,960
Damages for year	$372,066	$1,251,495	$1,454,440	$ 0	$ 0	$ 0	$ 0
Total ending balance	$372,066	$1,637,467	$3,244,272	$3,620,319	$551,192	$620,284	$703,960
Average outstanding balance(1)	$186,033	$1,011,720	$2,517,052	$3,620,319	$551,192	$620,284	$703,960
Days outstanding	214(4)	365	365	7(3)	358	365	90(5)
Interest rate(6)	12.75%	15.06%	14.94%	12.78%	12.78%	13.49%	12.10%
Interest for the year(2)	$ 13,907	$ 152,365	$ 376,048	$ 8,873	$ 69,091	$ 83,676	$ 21,003
Total interest owed to Bio-Rad Laboratories							$724,963

(1) Average Outstanding Balance = (Beginning Balance + Ending Balance)/2

(2) Interest for the Year = Average Outstanding Balance × (Interest Rate/100) × (Days Outstanding/365)

(3) The effective date of the judgment (1/7/83) marks the end of the time when prejudgement interest runs on the principal amount of the judgement ($3,078,000). Therefore, this amount is deducted from the principal as of 1/7/83.

(4) Interest is calculated from 6/1/80 when the first deliveries occurred.

(5) Interest is calculated through 3/31/85. Additional interest accrues at the rate of $233.37 per day thereafter.

(6) Interest Rate = Average Long Term Corporate Bond Rate

SCHEDULE C

CASE C: PRIME

NICOLET PREJUDGMENT INTEREST

For Period 1980—1985

	1980	1981	1982	Pre-Judgment 1983	Post-Judgment 1983	1984	1985
Cumulative damages	$ 0	$ 372,066	$1,623,560	$3,078,000	$ 0(3)	$ 0	$ 0
Cumulative interest	$ 0	$ 16,655	$ 208,085	$ 587,821	$595,407	$658,419	$736,639
Total beginning balance	$ 0	$ 388,721	$1,831,646	$3,665,821	$595,407	$658,419	$736,639
Damages for year	$372,066	$1,251,495	$1,454,440	$ 0	$ 0	$ 0	$ 0
Total ending balance	$372,066	$1,640,216	$3,286,085	$3,665,821	$595,407	$658,419	$736,639
Average outstanding balance(1)	$186,033	$1,014,468	$2,558,866	$3,665,821	$595,407	$658,419	$736,639
Days outstanding	214(4)	365	365	7(3)	358	365	90(5)
Interest rate(6)	15.27%	18.87%	14.84%	10.79%	10.79%	11.88%	10.56%
Interest for the year(2)	$ 16,655	$ 191,430	$ 379,736	$ 7,586	$ 63,012	$ 78,220	$ 19,181

Total interest owed to Bio-Rad Laboratories $755,820

(1) Average Outstanding Balance = (Beginning Balance + Ending Balance)/2
(2) Interest for the year = Average Outstanding Balance × (Interest Rate/100) × (Days Outstanding/365)
(3) The effective date of the judgment (1/7/83) marks the end of the time when prejudgment interest runs on the principal amount of the judgement ($3,078,000). Therefore, this amount is deducted from the principal as of 1/7/83.
(4) Interest is calculated from 6/1/80 when the first deliveries occurred.
(5) Interest is calculated through 3/31/85. Additional interest accrues at the rate of $213.12 per day thereafter.
(6) Interest Rate = Average Prime Rate

Year	Average Annual Long-Term Corporate Bond Rates	Average Annual Prime Rate
1980	12.75[1]	15.27[2]
1981	15.06[1]	18.87[2]
1982	14.94[1]	14.84[2]
1983	12.78[1]	10.79[3]
1984	13.49[4]	11.88[3]
1985	12.10[4]	10.56[3]

Moreover, this chart illustrates that it is largely immaterial whether prejudgment interest is calculated (1) at 15%, as testified by Mr. Leigh; or (2) at either the Long Term Corporate Bond Rate or the Prime Rate (as some courts have done). Indeed, when the Corporate Bond Rate and Prime Rate are substituted in the prejudgment interest formula, the resulting interest figures ($724,963 and $755,820, respectively; see Schedules B and C, following Schedule A) are roughly equivalent to the interest figure which results when interest is calculated at 15% ($761,698). In short, while it can be argued that one interest rate is more appropriate than another, it makes little practical difference which commercial interest rates are employed.

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[1] Federal Reserve Bulletin, Table A26 "Domestic Financial Statistics," Dec. 1983 and Feb. 1985. Bond yields based on data from Moody's Investors Service (copies attached as Ex. H).

[2] U.S. Board of Governors, Federal Reserve System's Annual Statistical Digests for 1980, 1981, 1982 (attached as Ex. I).

[3] The latest Federal Reserve report does not include a calculation of the annual average prime rates for 1983, 1984 or 1985. Accordingly, for 1983 and 1984, Bio-Rad has used the sum of the average monthly prime rates for each of those years (Fed. Res. Bull., Table A24 "Dom. Fin. Stats.," Feb. 1985, Ex. J), divided by 12. For 1985, Bio-Rad has used the sum of the average monthly prime rates for the months of January and February 1985 (Fed. Res. Stat. Releases, Feb. 5 and Mar. 4, 1985, Ex. K), divided by 2.

[4] The latest Federal Reserve Bulletin (Feb. 1985) does not yet contain the 1984 average annual corporate bond rate, so Bio-Rad has calculated this as the sum of all Avg. Monthly Corporate Bond rates for 1984 (Ex. H), divided by 12. For 1985, Bio-Rad has used the sum of the average monthly bond rates for the months of Jan. and Feb. (Ex. K), divided by 2.

2. If Discovery And/Or Further Evidentiary Hearings Are Allowed, Bio-Rad Reserves The Right To Increase Its Claim For Prejudgment Interest To An Amount Which Would More Adequately Compensate Bio-Rad

If the Court were to reopen this case for further evidentiary hearings on the subject of prejudgment interest, Bio-Rad reserves the right to increase its claim to an amount which would more adequately compensate Bio-Rad for its lost use of the money damages. If put to specific proofs, Bio-Rad would show that it actually paid more than the 15% interest estimated by Peter Leigh during trial.[5] For example, although Bio-Rad's corporate bonds pay interest of 15%, Bio-rad's effective interest cost on its corporate bond borrowings is closer to 16% because of fees associated with the bond issue, which reduced the proceeds Bio-Rad received from the offering. In addition, while Bio-Rad's bank borrowing is "linked" to the prime rate, its effective bank borrowing rate is closer to 1% above the prime rate because the bank loan terms require Bio-Rad (1) to pay an additional fee based upon the unused portion of the loan commitment and (2) to maintain compensating balances. Further, Bio-Rad's calculation of prejudgment interest is computed on a compound annual basis, whereas the interest it pays on its bank loans is paid monthly (and thus compounds twelve times a year), and the interest it pays on its corporate bonds is paid twice annually (and thus compounds twice a year).

These additional facts would support a substantially higher claim for prejudgment interest. For example, if prejudgment interest were computed at an interest rate of prime plus 1%, compounded monthly (a rough approximation of Bio-Rad's actual bank lending arrangements), the total prejudgment interest owed to Bio-Rad by Nicolet as of March 31, 1985 would be $908,196 (see Schedule D on following page).

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[5] The 15% interest rate to which Peter Leigh testified was selected and expressly characterized as a "conservative" estimate which could be easily defended on cross-examination in front of the jury.

Despite the prospect of a substantially greater recovery, Bio-Rad objects to further discovery and evidentiary hearings. The Court has all the information it needs to make a proper determination of prejudgment interest. To proceed as Nicolet proposes might involve extensive discovery and evidence touching on all facets of Bio-Rad's business over the past five years. This would be costly, time-consuming, and would necessarily involve the Court in discovery disputes and evaluation of complex financial data. Since there is no need for such further proceedings, they would only serve to delay ultimate determination of this dispute, increase the cost of litigation, and waste judicial resources.

SCHEDULE D

CASE D: P+ 1—COMPOUNDED MONTHLY

NICOLET PREJUDGMENT INTEREST

For Period 1980—1985

	1980	1981	1982	Pre-Judgment 1983	Post-Judgment 1983	1984	1985
Cumulative Damages	$ 0.00	$ 372,065.95	$1,623,560.46	$3,078,000.02	$ 0.00(3)	$ 0.00	$ 0.00
Cumulative Interest	$ 0.00	$ 19,130.91	$ 240,654.68	$ 682,290.08	$691,267.29	$775,668.94	$881,689.09
Total Beginning Balance	$ 0.00	$ 391,196.86	$1,864,215.14	$3,760,290.10	$691,267.29	$775,668.94	$881,689.09
Damages For Year	$372,065.95	$1,251,494.51	$1,454,439.56	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Total Ending Balance	$372,065.95	$1,642,691.37	$3,318,654.70	$3,760,290.10	$691,267.29	$775,668.94	$881,689.09
Average Outstanding Balance(1)	$186,032.98	$1,016,944.12	$2,591,434.92	$3,760,290.10	$691,267.29	$775,668.94	$881,689.09
Days Outstanding	214(4)	365	365	7(3)	358	365	90(5)
Interest Rate(6)	17.54%	21.78%	17.04%	12.45%	12.45%	13.67%	12.19%
Interest For The Year(2)	$ 19,130.91	$ 221,523.76	$ 441,635.40	$ 8,977.21	$ 84,401.65	$106,020.15	$ 26,507.03
Total Interest Owed to Bio-Rad Laboratories							$908,196.12

(1) Average Outstanding Balance = (Beginning Balance + Ending Balance) / 2

(2) Interest For the Year = Average Outstanding Balance × (Interest Rate / 100) × (Days Outstanding /365)

(3) The Effective Date of the Judgment (1/7/83) Marks the End of the Time When Prejudgment Interest Runs on the Principal Amount of the judgment ($3,078,000). Therefore, this amount is deducted from the principal as of 1/7/83.

(4) Interest is calculated from 6/1/80 when the first deliveries occurred.

(5) Interest is calculated through 3/31/85. Additional interest accrues at the rate of $ per day thereafter.

(6) Interest rate = average prime rate plus 1% compounded monthly. (Calculated as the annual interest rate divided by 12 taken to the 12th power ((1+(R/12))^12-1.

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JUL 15 1985
WILLIAM L. WHITTAKER
CLERK, U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

TOWNSEND and TOWNSEND
Albert J. Hillman
Roger L. Cook
J. Georg Seka
David N. Slone
One Market Plaza
Steuart Street Tower, 20th Floor
San Francisco, California 94105
Telephone: (415) 543-9600

Attorneys for Plaintiff

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

BIO-RAD LABORATORIES, INC.,
a Delaware corporation,

Plaintiff,

v.

NICOLET INSTRUMENT
CORPORATION,
a Wisconsin corporation,

Defendant

CIVIL ACTION NO.
C81 2553 LHB

BIO-RAD'S SUPPLEMENTAL MEMORANDUM IN SUPPORT OF MOTION TO AWARD PREJUDGMENT INTEREST

I.

INTRODUCTION

This memorandum, which supplements Bio-Rad's original Memorandum in Support of Motion to Award Prejudgment Interest under 35 USC § 284 (filed on or about April 11, 1985), provides a revised calculation of the total prejudgment interest owned Bio-Rad. This calculation has been reduced from $761,698 (through March 31, 1985) to $737,074 (through June 28, 1985), based upon the Court's rulings at the hearing on April 12, 1985. Interest from June 28, 1985 continues to accrue at the rate of $200.00 per day (Decl. P. Leigh).

The main differences in the present calculation are as follows:

(1) Rather than use the "Average Outstanding Balance" approach (BR Mem. 7:15-8:28), Bio-Rad has calculated interest separately on each infringing sale, as instructed by the Court (TR 74:10).

(2) Rather than calculate interest from the date of infringement (delivery date), Bio-Rad has calculated interest to run from a day 60 days after the delivery date. This takes into account the expected lag between delivery and payment, as instructed by the Court (TR 74:9-17).

(3) Rather than calculate interest at the 15% rate (from Bio-Rad's actual experience), Bio-Rad has calculated interest at the rate a "reasonably sound (average) corporate borrower" might have been expected to pay, as instructed by the Court (TR 72:24-73:3, 82:6-12). As an aid to determining that interest rate, Bio-Rad has enlisted the expert assistance of Richard T. Griffith, Chief Executive Officer of the Federal Reserve Bank of San Francisco (Decl. Griffith), who states, based upon statistics available to the Federal Reserve Bank, that the best indicia of what rate of interest the average corporate borrower

paid from 1980-1985 is the average annual Prime Rate, compounded annually. Accordingly, this is the rate of interest Bio-Rad has used.

II.

BACKGROUND

At the hearing on April 12, 1985, during the hearing on Nicolet's Motion For Allowance Of Discovery On The Issue Of Prejudgment Interest, the Court made a number of rulings, related to Bio-Rad's Motion for Prejudgment Interest (filed April 11, 1985).

First, Judge Burke granted Bio-Rad's Motion for Prejudgment Interest to Bio-Rad, subject to further decision on the rate of interest (TR 78:10-17); and instructed Bio-Rad to prepare a calculation of prejudgment interest based upon the rate of interest which a reasonably sound (average) corporate borrower would have been expected to pay during the years in question (TR 72:24-73:3, 82:6-12).

Judge Burke further indicated that, in setting the amount of prejudgment interest, he would not take into account Nicolet's argument that "We didn't sell as many units as we think the jury based its damage award on" (TR 77:17-21).

Judge Burke further indicated that interest ought to be calculated from the date of each infringement, perhaps adjusted by some amount attributable to the customary time lag between delivery and payment, e.g. 60 days (TR 74:9-17).

Finally, Judge Burke denied Nicolet's motion to take discovery, except to the extent necessary to determine the dates of infringement (TR 76:19-22).

III.

DISCUSSION

A. Damages Attributable To Each Infringing Sale

Because the jury awarded a general verdict of $3,078,000 without special findings as to the calculation used to reach that

verdict, there is no precise way to calculate the amount of damages the jury awarded per infringing sale. This is especially true because Nicolet contends that it only made 81 sales, but that the jury based its award upon 91 units.

To minimize the areas of dispute on the Motion for Prejudgment Interest, Bio-Rad offered to stipulate with Nicolet to spread the $3,078,000 judgment either over 91 units ($33,824 damages per unit) or over 81 units ($38,000 damages per unit).

Nicolet agreed to use 81 units as the base, but reserved its right to argue that the amount of prejudgment interest ought to be reduced because Nicolet believes the jury erred in its verdict[1].

B. Number Of Infringing Sales

As set forth above, Bio-Rad has calculated its claim for prejudgment interest on the basis of 81 infringing sales.

C. Date Of Each Infringing Sale

On the basis set forth in Paragraph A, *supra*, Bio-Rad has used, as the date for each infringing sale, the date of delivery of each of the 81 units (per Nicolet's Answer to Bio-Rad's Interrogatory With Regard To Prejudgment Interest).

D. Hypothetical Date On Which Bio-Rad Would Have Been Paid For Each Infringing Sale

In accordance with the Court's ruling at the hearing on April 12, 1985, (TR 74:9-17), Bio-Rad has calculated prejudgment interest to run from a day 60 days after each delivery of an infringing unit by Nicolet.

E. Interest Rate

In its opening memorandum, Bio-Rad proposed to use 15% (i.e. Bio-Rad's actual interest rate, as Peter Leigh testified

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[1] Bio-Rad does not object to Nicolet's right to any argument, but vigorously rejects the notion that Nicolet is entitled to any reduction in interest based upon an alleged error in the verdict. Any result to the contrary (a) would impeach the jury verdict, (b) is barred by res judicata, and (c) has already been resolved against Nicolet at the April 12 hearing (TR 77:17-21, 82:6-13).

at trial) as the applicable rate of prejudgment interest; although it made little difference whether Bio-Rad used its actual rate of interest or some other objectively determined commercial lending rate (e.g. the Corporate Bond Rate or the Prime Rate). The total prejudgment interest owed to Bio-Rad (through June 28, 1985), calculated at the Corporate Bond Rate, the Prime Rate, or the 15% rate, yielded roughly comparable results, i.e. $724,963; $755,820; or $761,698, respectively (Bio-Rad Memorandum 6/11/85, 5:1-6:7).

Nicolet objected to using any one of the foregoing commercial interest rates, arguing that the Court ought to apply some statutory rate. The Court rejected that approach, stating that it intended to use the rate of interest which a reasonably sound (average) corporate borrower would pay (TR 72:24-73:3, 82:6-12). Discussion centered around whether to use the Prime Rate or the Interbank Discount Rate plus some amount to adjust it so as to approximate the rate available to a corporate borrower (TR 82:11-12).

To assist the Court in determining what rate of interest a reasonably sound (average) corporate borrower would have paid during the period in question, Bio-Rad has enlisted the expert assistance of, Richard T. Griffith, Chief Executive Officer of the Federal Reserve Bank of San Francisco, who agreed to state his expert opinion for the assistance of the Court.

Mr. Griffith states that, based upon periodic survey data collected and published by the Federal Reserve, the Prime Rate, compounded annually[2], is the best approximate indicator of what the average corporate borrower paid on commercial borrowings in the years 1980 to the present. Specifically, Mr. Griffith notes that the average corporate borrower appears to have paid slightly more than the Prime Rate in 1980-82, and slightly less than the Prime Rate in 1983 and 1985, with 1984 about even. On balance, Mr. Griffith concludes that

> "the Prime Rate, compounded annually, appears to be the most representative indicator of what rate of interest the

[2] Based upon the average annual Prime Rate as published in the Federal Reserve Annual Digest and Bulletin.

reasonably sound (average) commercial/industrial borrower would have paid during the period in question."

(Decl. Griffith, 3:10-13)

Mr. Griffith contrasted the Prime Rate with the Discount Rate, Federal Funds (i.e. Interbank Discount) Rate, and Treasury Bill Rate, which Mr. Griffith said have been substantially lower than the rates paid by average corporate borrowers.

III.

CONCLUSION

For the foregoing reasons, Bio-Rad respectfully requests entry of judgment for prejudgment interest in a total amount of $737,074, through June 28, 1985, with interest accruing thereafter at the rate of $200.00 per day.

Dated: July 11, 1985

TOWNSEND and TOWNSEND

By _____

Roger L. Cook
Attorneys for Plaintiff

ORIGINAL
FILED
JUL 15 1985
WILLIAM L. WHITTAKER
CLERK, U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

TOWNSEND and TOWNSEND
Albert J. Hillman
Roger L. Cook
J. Georg Seka
David N. Slone
One Market Plaza
Steuart Street Tower, 20th Floor
San Francisco, California 94105
Telephone: (415) 543-9600

Attorneys for Plaintiff

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

BIO-RAD LABORATORIES, INC. a Delaware corporation, *Plaintiff,* v. NICOLET INSTRUMENT CORPORATION a Wisconsin corporation, *Defendant*	**CIVIL ACTION NO. C81 2553 LHB** **EXPERT DECLARATION OF RICHART T. GRIFFITH IN SUPPORT OF PLAINTIFF BIO-RAD'S MOTION FOR PREJUDGMENT INTEREST**

I, Richard T. Griffith, declare and state that:

1. I am Chief Operating Officer and First Vice President of the Federal Reserve Bank of San Francisco.

2. I have been asked by Townsend and Townsend to provide my expert opinion as to whether and to what extent the Prime Rate, Discount Rate, Federal Funds Rate or any other

readily available index have corresponded to the rates of interest a reasonably sound corporate borrower, i.e. one of average financial strength, paid on commercial loans in each of the years from 1980 to the present.

3. Prior to agreeing to serve as an expert in this capacity, I consulted with legal counsel for the Federal Reserve Bank, who advised that I was free to do so.

4. My educational background includes attendance at California State University in San Luis Obispo; and at Pepperdine University in Los Angeles. I graduated from the American Institute of Banking in 1965; and also from a special Graduate School of Banking, at Stanford University, in 1972. I joined the Federal Reserve Bank of San Francisco in 1975. Since then, I have held numerous positions and was appointed to my present position in 1983.

5. The Federal Reserve Bank of San Francisco performs numerous banking operations, which include acting as a clearinghouse for interbank transfers and, in addition, the lending of funds to banks on a short-term basis. The Federal Reserve Bank of San Francisco also monitors lending conditions throughout the Twelfth Federal Reserve District and participates in setting the Discount Rate in furtherance of the Federal government's monetary policy, as set by the Federal Reserve Board in Washington, D.C.

6. The Federal Reserve Bank of San Francisco employs a number of economists on its staff to assist it in performing the above functions. In addition, the bank maintains a sizeable library of economic data and literature.

7. In my opinion, the best measure or indicator of the interest rate which a reasonably sound (i.e. average) corporate commercial and/or industrial borrower (i.e. not a real estate construction or real estate development borrower) would have paid in each of the years from 1980 to the present is the average annual Prime Rate[1], compounded annually. My opinion is

[1] As my measure of the annual Prime Rate for the years 1980 to 1983, I employ the annual average of daily Prime Rate published in the Annual Statistical Digest by the Board of Governors of the Federal Reserve; and for 1984 to the present, I employ a calculation based on the average monthly Prime Rate published in the Federal Reserve Bulletin.

necessarily qualified by the fact that there are no data to show what rate of interest the average corporate borrower has actually paid or is actually paying at any particular time, or for any particular period. In addition, the available data, which consists of statistical samples only, would indicate that the Prime Rate is not a perfect indicator, but only a rough indicator of the interest rate in question. Nevertheless, based on the available data, the Prime Rate, compounded annually, appears to be the most representative indicator of what rate of interest the reasonably sound (average) commercial/industrial borrower would have paid during the period in question.

8. The basis for my foregoing opinion is as follows:

(a) I have examined the Estimated Weighted Average Effective Interest Rates ("Weighted Average Rates") on commercial and industrial loans (other than for real estate construction or land development) made by all commercial banks. The weighted Average Rate is obtained from regular periodic Federal Reserve surveys of the terms of bank lending to business. These surveys are made during the first full business week in the mid-month of each quarter from a sample of 340 commercial banks of all sizes. The data are published in the Federal Reserve Statistical Release E2 (111)[2]. The Weighted Average Interest Rate is the approximate average compounded annual interest rate on each loan in the survey sample, calculated from survey data on the stated rate and other terms of the loan, with each loan being weighted by its dollar amount.

(b) I have also examined the Interquartile Range. Like the Weighted Average Interest Rate, the Interquartile Range is determined from data taken in the survey referred to in paragraph (a), *supra*. The Interquartile Range is the range of interest rates that encompasses the middle

[2] The survey data upon which the Weighted Average Interest Rate is based are the best available data available as to what rates of interest the average corporate borrower has actually paid during any given survey period; however, the survey data are collected for only four weeks out of the year. Accordingly, these data cannot be used to determine the prevailing rate of interest at any other times during the year.

50% of the total dollar amount of loans making up the Weighted Average Rate.

(c) The subject surveys are conducted at the mid-month of each quarter. For my comparison, I selected the February (first quarter) survey for each of the years 1980 through 1985, since this was the only time period for which the Federal Reserve also publishes the Interquartile Range.

(d) I compared the Weighted Average Rate and the mid-point of the Interquartile Range ("Mid-point") to the average monthly Prime Rate for the month of February in each of the years 1980 through 1985 to see the extent to which the survey data correspond to the Prime Rate. Based on this comparison, which is set out in Schedule A, attached as Exhibit A, I found that there has been a realtively close correspondence between the Federal Reserve survey data and the average monthly Prime Rate for the years 1980-1985. Specifically,

(i) The data shown in Column E of Schedule A compare the Weighted Average Interest Rate to the Prime Rate. From this it appears that while the Weighted Average Rate was slightly higher than the average monthly Prime Rate in 1980, 1981, 1982 and 1984, and slightly lower than the average monthly Prime Rate in 1983 and 1985, they nevertheless track one another with reasonably close correspondence.

(ii) The data shown in Column F of Schedule A compare the Mid-point of the Interquartile Range to the average monthly Prime Rate. Like the Weighted Average Rate, the Mid-point of the Interquartile Range was slightly higher than the average monthly Prime Rate in 1980, 1981 and 1982, and slightly lower than the average monthly Prime Rate in 1983, 1984 and 1985; however, they track one another with reasonably close correspondence.

(e) Neither the Discount Rate, the Federal Funds Rate, the Treasury Bill Rate, nor any other readily available index would be reliable as an indicator of what rate of

interest a reasonably sound (average) corporate borrower might have paid during each of the years 1980 up to the present, for the following reasons:

(i) The Discount Rate is the rate of interest charged on loans to member depository institutions by the twelve regional Federal Reserve Banks. Interest on such loans is charged daily.

(ii) The Federal Funds Rate, which might also be referred to as the "Interbank Discount Rate", is the rate of interest paid on reserves traded among commercial banks for overnight use in amounts of $1 million or more. In effect, the Federal Funds Rate is the rate of interest paid by commercial banks on overnight loans from other commercial banks. Like the Discount Rate, the Federal Funds Rate is a rate of interest paid by banks for large short-term loans, and it is charged daily.

(iii) The Treasury Bill ("T-Bill") Rate is the rate of interest paid by the Government on its auction of short-term U.S. Government bills, sold at a discount from face value in units of $10,000 to $1 million.

(iv) A reasonably sound (average) corporate borrower would be unable to borrow money at the Discount Rate, Federal Funds Rate, or T-Bill Rate, for the following reasons:

(1) The only borrower able to borrow money at the T-Bill Rate is the United States Government. The Government pays a substantially lower rate of interest than the average corporate borrower because the Government is considered the most credit-worthy of all borrowers. The T-Bill Rate is frequently 2-3% lower than the Prime Rate.

(2) The only borrowers able to borrow money at the Discount Rate are those institutions

specified in the Federal Reserve Act or other Federal legislation. These are essentially banks and other financial institutions.

(3) The only borrowers able to borrow money at the Federal Funds Rate are financial institutions. These are primarily commercial banks, savings and loans, and savings banks.

(4) The Discount Rate and Federal Funds Rate are each typically 2-3% lower than the rate paid by average corporate borrowers, because of the nature of the banking business itself. A primary function of a commercial bank is to lend money. A bank acquires the money it lends from several different sources, the foremost of which is funds deposited with the bank to earn interest. The bulk of such funds are deposited in return for interest-bearing Certificates of Deposit ("CD's"), although other lesser sources of funds include savings accounts and the like. Two of those lesser sources of funds are either loans from the Federal Reserve Bank at the Discount Rate, or loans (actually reserves) from other commercial banks for overnight use (i.e. Federal Funds).

(5) Interest a commercial lending bank pays to its sources of funds is a major cost of doing business for that bank. Other costs include items of general overhead such as rent, equipment, salaries, advertising, etc.

(6) A bank only lends money at lending rates intended to produce a profit, i.e. at rates which are sufficiently higher than the interest rate it pays on borrowed funds to cover the cost of overhead, plus produce a profit, taking into account the expected rate of loan failures. This explains why the rate of interest which a reasonably sound (average) corporate borrower pays

on commercial loans is substantially higher than the rate of interest (including the Discount Rate and Federal Funds Rate) which a bank pays for funds.

(7) Moreover, the Discount Rate would be a particularly unreliable indicator of what an average corporate borrower might pay, because the Discount Rate is set by the Federal Reserve to encourage expansions and/or contractions in the nation's money supply, in furtherance of Federal Reserve monetary policy. Thus, the Discount Rate is more of a barometer of Federal Reserve Policy, than of commercially available interest rates.

(f) To graphically illustrate that the Prime Rate appears to be a better indicator of what an average corporate borrower might pay than the Federal Funds Rate, the Discount Rate, or the T-Bill Rate, I have attached a Chart of Interest Rates (Exhibit B) which compares the average annual Prime Rate, Discount Rate[3], Federal Funds Rate[4], T-Bill Rate[5], estimated Weighted Average Interest Rate[6], and estimated Mid-point of Interquartile Range[7]. This Chart shows that the Prime Rate follows the survey data, i.e. the estimated Mid-point

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[3]As my measure of the Discount Rate for the years 1981-1983, I employ the annual average of the daily Discount Rate of the Federal Reserve Bank of New York as published in the Annual Statistical Digest of the Board of Governors of the Federal Reserve.

[4] As my measure of the Federal Funds Rate for the years 1980-83, I employ the annual average of the daily Federal Funds Rate as published in the Annual Statistical Digest of the Board of Governors of the Federal Reserve.

[5] As my measure of the T-Bill Rate for the years 1980-83, I employ the average annual auction average of one-year Treasury Bills, as published in the Annual Statistical Digest of the Board of Governors of the Federal Reserve.

[6] The estimated average annual Weighted Average Annual Interest Rate is the sum of the average annual Prime Rate and the differential between the Weighted Average and Prime Rate on the dates of the Federal Reserve surveys (from Schedule A, Column E).

[7] The estimated annual Mid-point of Interquartile Range is the sum of the average annual Prime Rate and the differential between the Mid-point of Interquartile Range and Prime Rate on the dates of the Federal Reserve surveys (Schedule A, Column F).

Interquartile Rate and estimated Weighted Average Rate, with far greater correspondence and consistency than the other indicators. The data from which the chart was prepared are set out in Schedule B, attached as Exhibit C.

I declare under penalty of perjury that the foregoing statements are true and correct.

Executed this 3rd day of July, 1985, at San Francisco, California.

Richard T. Griffith

SCHEDULE A

Short Term Commercial and Industrial Loans By All Commercial Banks (Excluding Construction And Land Development)

A	B	C		D		E	F
		Interquartile		Prime Rate			
Survey Date	Weighted Avg. Interest Rate (Avg'd Over Loan Sizes)	Range	Midpoint	Avg'd Over February	Avg'd Over The Year	Weighted Avg. Compared To Prime Rate	Mid-Point of Interquartile Range Compared To Prime Rate
2/4-9/80	5.67%	14.87-16.43%	15.65	15.63%	15.27%	+.07	+.02
2/2-7/81	19.91%	19.12-21.25%	20.18	19.43%	18.87%	+.48	+.75
2/1-6/82	17.13%	16.61-17.55%	17.08	16.56%	14.84%	+.57	+.52
2/7-11/83	10.20%	9.42-10.33%	9.88	10.98%	10.79%	-.78	-1.10
2/6-10/84	11.06%	10.45-11.24%	10.84	11.00%	12.05%	+.06	-.16
2/4-8/85	10.10%	9.14-10.54%	9.84	10.50%	N.A.	-.40	-.66

Exhibit A

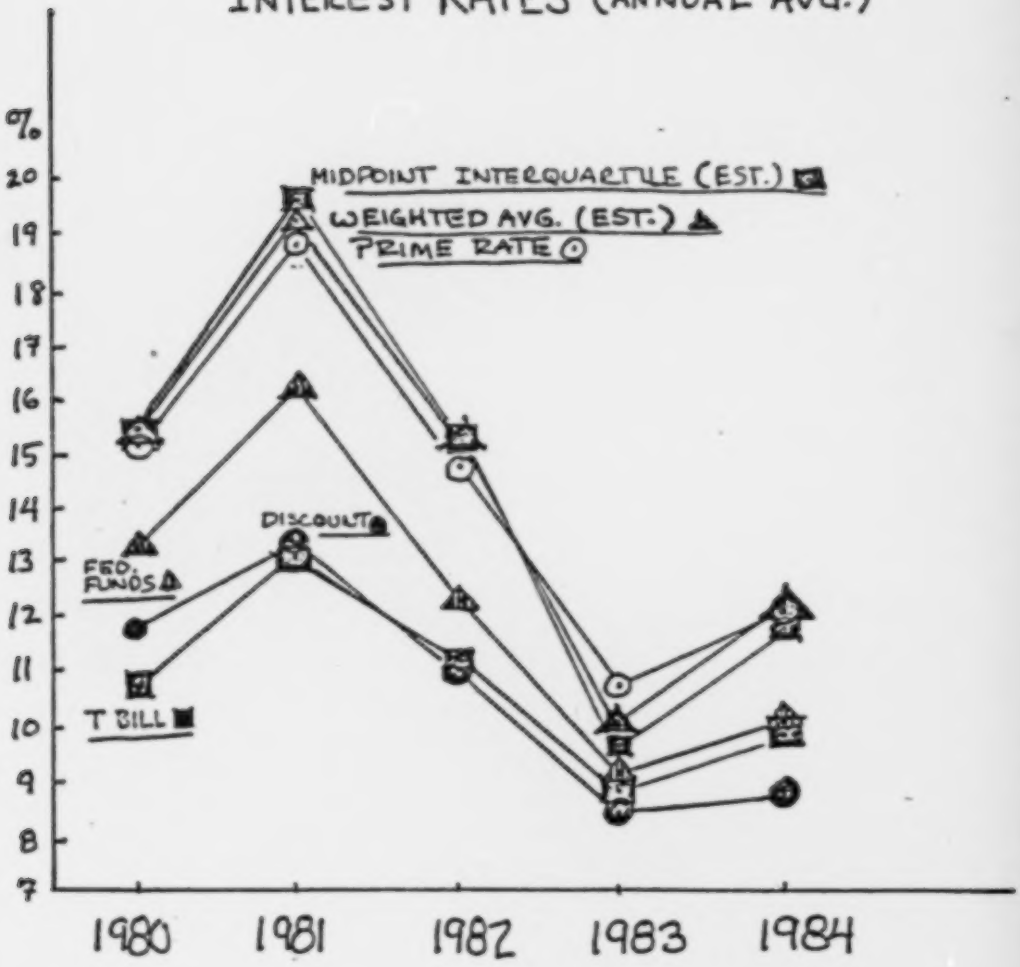
SCHEDULE B

ANNUAL AVERAGE INTEREST RATES

Year	Weighted Avg. (Est.)	Midpoint Interquartile (Est.)	Prime Rate	Discount Rate	Federal Funds Rate	T-Bill Rate
1980	15.34	15.29	15.27	11.77	13.36	10.75
1981	19.35	19.62	18.87	13.42	16.38	13.16
1982	15.41	15.36	14.84	11.02	12.26	11.10
1983	10.01	9.69	10.79	8.50	9.09	8.86
1984	12.10	11.88	12.05	8.80	10.23	9.91

Exhibit B

INTEREST RATES (ANNUAL AVG.)



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No. 86-1680

In the

Supreme Court of the United States

October Term, 1987

NICOLET INSTRUMENT CORPORATION,
a Wisconsin corporation,

Petitioner,

vs.

BIO-RAD LABORATORIES, INC.,
a Delaware corporation,

Respondent.

PETITIONER'S REPLY BRIEF

LINDQUIST & VENNUM
ROBERT J. SHERAN
(Counsel of Record)
DAVID A. ALLGEYER
STEVEN E. RAU
4200 IDS Center
80 South Eighth Street
Minneapolis, Minnesota 55402
Telephone: (612) 371-3211

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No. 86-1680

IN THE
SUPREME COURT OF THE UNITED STATES
October Term, 1987

NICOLET INSTRUMENT CORPORATION,
a Wisconsin corporation,
Petitioner,

v.

BIO-RAD LABORATORIES, INC.,
a Delaware corporation,
Respondent.

NICOLET INSTRUMENT CORPORATION'S REPLY TO BIO-RAD LABORATORIES, INC.'S BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT AND APPENDIX

Nicolet submits this Brief Reply in response to Bio-Rad's Brief in Opposition to Nicolet's Petition for a Writ of Certiorari in the above-referenced case. Bio-Rad's appendix and recitation of the facts does not characterize accurately Judge Burke's rationale in limiting the award of prejudgment interest in this case. As the appendix accompanying this Reply Brief indicates, the trial court's rationale in limiting the award of prejudgment interest to Bio-Rad was based clearly and unequivocally upon Bio-Rad's abuse of the discovery process. Bio-Rad's Reply Brief also contains a number of other inaccuracies and misstatements. Nicolet does not, however, deem them relevant at this stage.

Respectfully submitted,

LINDQUIST & VENNUM

|S| Robert J. Sheran

Robert J. Sheran
(Counsel of Record)
David A. Allgeyer
Steven E. Rau
4200 IDS Center
80 South Eighth Street
Minneapolis, Minnesota 55402
Telephone: (612) 371-3211

Civil Action No. C-81-2553-LHB

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

BEFORE: THE HONORABLE LLOYD H. BURKE, JUDGE

BIO-RAD LABORATORIES, INC.,
a Delaware corporation,

Plaintiff,

v.

NICOLET INSTRUMENT CORPORATION,
a Wisconsin corporation,

Defendant.

REPORTER'S TRANSCRIPT
September 13, 1985
Pages 5 through 7

TRANSCRIPT OF PROCEEDINGS

THE COURT: I think I have lived with this case long enough to be familiar with the issues, and reasonably prepared to dispose of the matter of the prejudgment interest at this time here, I would like to hear from counsel.

I've read the voluminous memorandum filed by both sides, but frankly I think no precise figure can be arrived at with even limited certainty.

It is possible I could save some time by indicating my present frame of mind so far by some of the attempts made by Nicolet in its briefs following the trial.

I am satisfied that there was an unjustified delay in the part of Bio-Rad in meeting the standards of discovery in a reasonable fashion during pre-trial hearings. The question in my mind is only as to how far the Court under these circumstances should go in denying what might otherwise be an appropriate application of interest rate for pre-judgment damages, and whether or not the interest should be forgone in its entirety, or some portion of it should be eliminated. And if so, what standard should have application, remain matters of some concern to me.

I believe, Mr. Cook accurately stated that the contentions of Nicolet cannot be used insofar as they are directed to the issue as to whether or not the non-producing of documents would affect the outcome of the trial.

I don't think that the arguments made by Nicolet are necessarily designed to accomplish that. I think that the thrust of Nicolet's use of the pre-trial discovery misconduct is appropriate descriptive material. To establish that damages should be reduced, that damages in the form of interest should be reduced or completely nullified, by reason of such misconduct. As far as the rules of the trial are concerned, "the horse is out of the barn" in the vernacular, and it's too late to do anything about that. But I think that, in substance at least, they did sustain injury enough with the misconduct without having to pay interest on interest with no consideration given to the fact that the pretrial delay of Bio-Rad producing was what might be called delay constituting abuse of the discovery process, or resistance to discovery process.

Some of the briefs are a little heated. I would hope that they can be disposed of in a dispationate fashion. My office demands that I hear what you have to say. At any rate, go along with your theory. It should be considered as pre-trial evidence and should be considered, but not for the purpose of changing the verdict or determining what would otherwise would be the appropriate amount of interest. Quite obviously the denial of pre-judgment interest is, in a sense, a penalty that cannot be imposed. I don't know what alternative to give something to which they are not entitled, although they may submit it.